

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1362219-0

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The following investigation was conducted by Special Agent (SA) [] at [] Washington, on October 5, 1983.

[] Washington 98027, telephone number [], furnished the following information:

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[] stated he used to be an employee of the Boeing Company in Seattle, Washington. While employed by Boeing, he became acquainted with another Boeing employee named Melvin Paisley. According to [] Paisley bragged to him about wiretapping a Pan Am Airlines office at the Patrick Air Force Base, near Cape Canaveral. [] explained that the wiretapping was necessary because Boeing wanted to bid on a housekeeping contract at Patrick Air Force Base, but did not know what to bid. The wiretap was to determine what Pan Am Airlines' bid was going to be and Boeing, therefore, would have an advantage when they submitted their bid. [] stated he assumed that [] was behind the entire operation.

The man, who actually did the wiretapping, according to [] was []. [] had told [] that Paisley had sent him to Cape Canaveral to wiretap the Pan Am Airlines' offices, in order to learn what their bid was going to be. [] advised that [] used to work directly under him and, while he was working for him, [] attempted to get [] to talk about the wiretap while he [] had a hidden tape recorder going. [] said he was unsuccessful in making a clandestine recording of [] bragging about his wiretapping experiences. According to [] [] still works for Boeing. [] also advised that the following individuals are familiar with this wiretapping incident:

[] former Boeing employee
in charge of [] Office.

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[] still employed with
Boeing and was Melvin Paisley's []

[] still with Boeing and
was [] to Paisley.

[] still employed with
Boeing at the present time. [] had
offices facing Paisley's office and was
used by Boeing to set up other clandestine
type of activity.

[] further advised that he had learned from a [] (work telephone - [] home telephone - []) that Melvin Paisley was bragging amongst other Boeing employees about bribing M. A. G. (Military Assistant Group) officers, in order to obtain government contracts. [] stated that the bribes took place probably between 1978 and 1979, and might involve the Boeing AWACS System. [] said that Axtel advised him that Paisley had bragged that he had laundered the money used for the bribe through a New York company which was used as a consulting company on the military contract.

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[] stated that he learned from [] that, during the period of 1977 to 1979, Paisley was arrested in Washington, D. C., for indecent exposure. Paisley was, according to [] having sexual intercourse in a taxicab in the afternoon in front of a hotel. This prompted his arrest. After he was arrested, [] and [] (phonetic), Boeing employees at the time, flew to Washington, D. C., and obtained Paisley's release and were also able to get the charges dropped. [] according to [] is now with Lockheed in Burbank, California, and he reports to a []

[] stated that all of Paisley's travel expenses concerning his numerous clandestine activities were put on expense accounts to the Boeing Aerospace Company and, therefore, paid by the United States Government.

[] stated that he had heard rumors from numerous people employed at Boeing during the time that he was working at Boeing about a "secret room" where Boeing keeps its illegally obtained classified documents. The room is possibly in Building 1826 on the Kent Campus. The documents that are kept in the room concern new systems and/or competitive systems that Boeing is interested in. Melvin Paisley obtained this type of documents in the process of conducting his normal activity for Boeing. [] knows where the room is and what is in it.

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Finally, [] advised that the following two individuals might provide more information concerning this matter:

[]
Apartment [] Seattle, Washington
Telephone [] who can also be reached
at the following two addresses:
[] California,
telephone [] and []
Fort Worth, Texas, telephone []

[] was a former Boeing executive who was familiar with Paisley and his activities.

[]
Home telephone []

[] is currently a Boeing employee, []
[] Paisley and should know everything concerning Paisley;
however, [] stated that [] may be reluctant to talk to the
Federal Bureau of Investigation (FBI) as to what he knows.

In addition to the above information, [] provided the
following documentary information to Special Agent (SA) []
[] of the Seattle Office of the FBI:

1. A letter from []
dated February 4, 1982.
2. A sixteen-page document labeled "Problem," which
details information concerning the Boeing Company.
3. Twenty-nine newspaper articles concerning the Boeing
Company and investigations involved in the Boeing Company.
4. A three-page letter from [] to SA []
5. Pages 7 and 16 of Item 2 above.
6. Six-page letter from [] to []
[] dated May 3, 1977.
7. One-page letter from [] to []
dated February 11, 1983.
8. Chain of Command for Boeing Electronics, dated
August 10, 1976.
9. Chain of Command for Boeing Aerospace Company, dated
February 20, 1974.
10. Securities and Exchange Commission (SEC), Form 8-K,
current report with Note on Page 14.

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Governor Don Samuelson
Route #3, Box 300
Sandpoint, Idaho 83864

Dear Don,

I have written so many pages, and so many versions of this letter....the whole Boeing thing in which I was involved is an incredible story, some of which you will be sensitive to after having read the enclosed newspaper articles; the allegations of which I believe to all be true. If you wonder how these things happen, I can only respond with an old industry saying, "the executives in a company directly reflect the character of the chief executive of the company!" The fact that Boeing got by with all of these things and more is another incredible story. But we will leave that aside for the present to address the purpose of this letter, and three of the people intimately involved in this Boeing story..Ben Plymale, Mel Paisley, and myself, the unnamed Boeing executive in these enclosed newspaper articles, -

The purpose of this letter is to enlist your support and assistance, per our telephone conversations, in seeing what can be done to remove Melvyn Paisley from his new appointed position as Assistant Secretary for Research, Engineering, and Systems in the Department of the Navy.

This Navy Department position should require a brilliant scientist who has at least a basic grounding in broad business practices with profit and loss responsibility, and some national recognition in the R&D field. Paisley does not have the appropriate educational experience and level; he does not have the long term line function work experience at Boeing in sophisticated research; he has had virtually no work experience of substance on Navy problems and programs. The man has no valid track record of accomplishment at the Boeing Company which would warrant his receiving this position. At the company, at least in the past 15 years or so, he was always a staff functionary; a highly paid minion and errand boy; and he was considered by many to be a kind of "court jester" to [redacted]

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[redacted] They were responsible for carrying and protecting Paisley.

Although certainly not qualified for the position he holds from an educational and experience perspective, my primary concern is one of the man's character, an absolute refutation of those very ethics and principles for which Ronald Reagan stands....the reason why you and I hold him in such esteem.

Mel Paisley, who I have known since 1966, years before I came to Boeing, bragged to others and to me that he had committed a felony wire-tapping operation involving military contracts in violation of federal military contracting law and federal industrial espionage laws. He stated to others that he conducted bribery internationally on military projects, even to the point of naming the New York company through which he supposedly laundered monies. He is known as a famous philanderer, involved with single and married women while himself involved in three marriages; a heavy drinker with crude behavior and public drunkenness; had been accused of murdering his second wife, the charges on which were dropped for lack of evidence; and has been observed outside the country by company executives cavorting with what

were purportedly black and white prostitutes.

I feel very strongly, considering the man's well known and long established unsavory character and ammorality, that he is an extraordinary risk to the security of the United States while he is in such a sensitive military position, because he is almost a textbook example of the kind of man who is very highly susceptible to blackmail, and thus, readily compromised by the enemies of our country. It is my firm position that this is a risk that we cannot take.

- - - - -

I was a major subcontractor on military programs for many years to Boeing before joining the company; and then I was an executive in the company for six years, (see the attached copy of the business cards furnished to me by Boeing). While I was in the company, I was appalled by the lack of executive professionalism; executive drunkenness; sexual abuse with women employees; theft from the company; bribery and kickbacks on sales, to company executives as well as customers; extensive expense account cheating; Swiss bank accounts, etc.. I continually tried to do something about these things; I was either ignored or warned! There was no way I could fit into that kind of environment, Don, so I ultimately got fired by being accused of things I did not do, which was to be acknowledged later by the company.and that, after a long and highly successful career in the aerospace industry!

After leaving the company, I, as a shareholder, repeatedly tried to establish meetings with Mel Stamper, the president, and members of the board, to address these problems in the spirit that it simply was not necessary to behave this way to win military business; it endangered the security of our country; it utterly destroys executive morale in an aware management structure; and it is certainly to the long term profit disadvantage of the company. I was unsuccessful in my attempts to establish these meetings, although on two occasions, Mel Stamper's attorney, [redacted] told me on behalf of Stamper, "there was no justification whatever for what happened to [redacted] at the Boeing Company!"

Still determined to fight the battle, I and another ex-Boeing executive, setup a meeting with [redacted] in the military aerospace group, in the hope of getting a consulting contract which he could authorize for the purpose of going in and "cleaning house." My friend had been a USAF undersecretary at the time [redacted] was in the Pentagon, and they were old friends. In a 3½ hour meeting at the Seatac Hyatt House, I went over a 16 page document I had prepared in detail for [redacted] with particular emphasis on Paisley and his activities. (Paisley, see pp 10, 12, and 26 of the enclosed Seattle Times articles). [redacted] was particularly interested in page 7 of this 16 page document, a copy of which is enclosed. His response to these charges was, in front of both of us, "Every Goddamned Word is true!" His attitude about the contract seemed to be very positive, (we did not know at the time that he was a close friend of Paisley); and he was he would get back in touch right away with my friend.

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After about four weeks of waiting, I received a call to the effect that [redacted] and four others were physically removed from Boeing facilities by federal security personnel for serious security violations, (see page 1 thru 9, 13, and 17 of the attached newspaper articles). By this stage I was so disgusted and dismayed...I verified with other Boeing people that the information was accurate; so I called [redacted] and the [redacted] story resulted in a national TV scoop for him. I then took the whole story to the Seattle Times, which resulted in the attached series of articles. I really intended to take it to Mike Wallace, but after careful consideration, I decided I did not want to hurt the company more than necessary and therefore kept it on a local basis.

Ben Plymale, with full and admitted knowledge of felonies involved in federal programs, admits in these enclosed articles that he deliberately ordered and participated in the planting of false information to mislead federal investigators who were after he and the other Boeing people. Where did Plymale end up....right on President Reagan's transition team. Isn't that incredible? If you want to know how it happened, I am told you would have to ask [redacted]. I do not personally know....but I do know this is just the kind of thing that utterly destroys the credibility of the administration.

How did Paisley get there....well, you cannot ask Ben as he died of a heart attack up in Alaska....on a trip with Paisley in which he was Paisley's sponsor. You could also ask [redacted] as they sent me out to work for him, as Paisley knows; or [redacted] who was also involved when Maggie's AA!

These things are all true, Don....it shows you how weak the patronage system is and how dangerous it can be to our party; it also shows you what a very bad job has been done by the Whitehouse personnel office....we have had too many of these kinds of things already.

I want to assure you that I have never had any antagonistic relations with Paisley; he has never, to my knowledge, done me harm; what I have said here I believe to be true and verifiable. I can and will provide names and will do anything within reason to assist in the resolution of this including taking polygraphs or any other tests.

Finally, my concern about Paisley is not that he be punished, (I understand the statute of limitations is out anyway), but that he be quietly removed to a position that poses no threat to our country and our party before somebody here does alert somebody like [redacted] which I believe could happen at any time.

In closing, at a Christmas party, I ran into [redacted] and the conversation ultimately got around to Melvyn Paisley and [redacted] sated, "Thank God we are rid of that guy!"

My [redacted] to you and [redacted]

[redacted]

Encl

PROBLEM

Throughout the management structure of the Aerogee Company, there is no true comprehension of the marketplace, which has over the past ten years negated the creativity and implementation of any effective business plans. This has resulted in a rippling-effect of severe problems paramount among which is the anguishing peaks and valleys in revenue generation; one of the poorest win/loss ratios in the industry; a disastrous company image in the customer ranks; and a rock-bottom esprit de corps throughout the company.

BAD PUBLIC COMMUNICATIONS

- I The Boeing Company does not understand how to apply their PR and Advertising funds toward the control of the public and customer image of the company, nor the extent to which the proper allocation of these funds can influence and shape the public and Congressional support of defense activities and budgets, and the commercial activities of the company.
- II
- Caused "Trite Twiss"
 - Causes too much talk by senior executives
 - Gives the company a "BS" image
 - Nullifies the effectivity of advertising

BOEING AEROSPACE PROPOSAL

- I Title of the Problem
- II Position Statement--a simple broad expression of the negative fallout created by the problem.
- III *Effectivity of the Problem--A listing of points which illustrate what happens because the problem exists.
- IV Potential Solutions--A listing of the resonable and plausible potential solutions.
- V Solution Analysis--An analysis of all of the potential solutions with the pros and cons of each with the resultant selection of the recommended solution
- VI The Solution--An elaboration of the solution and its mechanization
- VII A Perspective on the Total Problem--When all of these problems are consolidated and taken in total, there will be an obvious overall problem to be addressed with its variety of solutions.
- VIII The Recommended Company Solution--A bold and detailed explanation of what is necessary to reposition the company within itself, in the eye of the public, and in its industry.

*Be prepared to give specific examples of each

I

NO PROFESSIONAL & EFFECTIVE MARKETING

- I The lack of a professional marketing system will ultimately destroy the company through its inability to compete. *Subcontractors*
- II •Inability to win new programs - SEE ATTACHED LIST
•Inability to control the external image of the company - 747-DC-10
•Inability to control the internal image of the company
•Inability to generate new areas of business
•Inability to negatively influence the growth of competitors
•Inability to analyze why business is lost
•Inability to generate effective proposal efforts
•Inability to create effective long range business plans
1. Program Overruns - 105, SRAM
2. Program Management - E4
3. Public Image 747-DC10
4. Overinflation
 1. Hydrofoil
 2. BOECON
 3. Electronics
 4. Transportation
 5. Cement
 6. Reorganization
5. Bad Planning & Timing
 1. 7475P
 2. 757
 3. 767-A300
 4. DC-9-80 Financial Corp

COMPANY NOT ORGANIZED TO JOB TO BE DONE

- I The Aerospace Company is loosely organized to personalities ^{BEING} rather than ~~having a company~~ organized to perform a given mission with specific goals and the job positions clearly designed to meet those goals with the resultant hiring of the right people to fill specific jobs.
- II
- Forces the company to be a management hobby shop
 - Forces the improper utilization of expensive personnel
 - Forces nepotistic practices
 - Causes "Trees vs Forest" Syndrome
 - Forces "The Peter Principle" in rampant fashion
 - Forces ego-driven rather than success-driven management practices.

FAULTY PROGRAM MANAGER SYSTEM.

- I The Aerospace Company program manager system is not capable of either consistently providing good business managers or training good business managers for future programs.
- II
- Forces the loss of programs
 - Poor business practices cause the loss of money on programs
 - Cost overruns disgraces the company in the eyes of the customer.
 - Destroys the confidence of the subcontractors in the company
 - Creates the inability to influence those forces making award and budgeting decisions
 - Breaks down morale and creates nepotism
 - Destroys program personnel confidence in management
 - Inability to consistently generate winning proposals

SUBCONTRACTOR DISINTEGRATION

I The Aerospace Company's inability to establish an effective professional marketing effort; its inability to understand the workings of the subcontractor houses; and its gross abuse of the subcontractors over many years has alienated the valuable subcontractor support which is enjoyed by Boeing's competitors.

- II •Stops that critical flow of subcontractor state-of-the-art and threat data that used to be provided in detail and free of charge.
- Destroys that unique relationship with the subs which allows close teamwork in fighting for new programs in the customer environment.

BOEING TAKEN
FORCED THE SUBCONTRACTORS TO TALK MANUALLY
AND WHILE CONTRACTS WERE BEING COVERED
AGREES WHICH FORGIVES THE DISINTEGRATION

VERY BAD MORALE

- I There is a situation throughout the Aerospace Company of extreme apathy and bad morale backed up by an in-depth lack of faith in management.
- II •The ramifications of this situation are far flung and endless

- II
- Corrupts the essence of the company---its employee body
 - Bleeds profits
 - Eats destructively into the esprit de corps
 - Erodes confidence in management

LOUSY COMPANY REWARD SYSTEM

- I In the Boeing Company there is no clear cut published system or guide for management employees to grow and advance in their positions and in the company.
- II
- Deeply corrupts the integrity of the personnel department.
 - Destroys morale and esprit de corps
 - Instills and promotes nepotism
 - No reliable review system
 - Negatively impacts the ability to recruit from the outside
 - Promotes the tong system
 - Allows mistreatment of executives

AN EXTRAORDINARY LACK OF PROFESSIONALISM

- I The Aerospace Company ranks are thoroughly riddled with third rate people who do not have the basic qualifications for professionalism in their positions.....training, experience, and a proven track record.
- II The ramifications of this situation are far flung and endless

NO COMPANY DISCIPLINE

- I There is so little discipline in the Aerospace Company, morally, legally, and behaviorally, that the Company is, in effect, an aggressive partner in the process of sponsoring and promoting bad management, great waste, disgraceful behavior, corruption, and an ineffective reward system.
- II
- There is no executive code of behavior, real or implied, to guide the employees. This results in bad public behavior which negatively impacts the company's image.
 - Bad performance on the job or failing at the job does not result in firing.
 - Company either does not discipline or is soft on disciplining those caught cheating or stealing from the company.
 - Valuable personnel get fired or leave the company for vague political reasons which corrupts the very intent of a sound disciplinary and reward system.
 - There is no system in support of managers who need to discipline those under them.
 - Causes the insidious practice of nepotism.
 - Causes serious erosion of morale
 - No board of peers for executive disciplinary review
 - Greatly promotes the abuse of expense accounts
 - Promotes the Tong System
 - Allows employees to backstab their bosses and get promoted because of it.

THE TONG SYSTEM

- I There is a strongly entrenched tong system through the management ranks in the Aerospace Company which tends to strangle the company's ability to grow and compete.
- II •This is disastrous for morale in non-tong members.
- Greatly promotes nepotism.
 - Prohibits and nullifies new concepts, ideas, and philosophies with which any competitive company must continually refresh itself.
 - It is a major cause of the non-professionalism in management ranks which is so rampant in the company.
 - Promotes the lack of discipline in its protection of its members.
 - CREATES A SUPERFLUOUS CAREER OPPORTUNITY FOR EXPENSIVE

CONSTANT REORGANIZATION

- I One of the strong indicators of a company's impending failure is constant reorganization....the Boeing Aerospace Company's executive management is so ineffective in the establishment of a company purpose and a successful long range business plan that it has consistently, for several years, fallen back on the process or regrouping and reorganization.
- II
- Destroys the very fabric of a company
 - Destroys middle management faith in upper management
 - Creates disaster for the esprit de corps level in the company
 - Creates a situation impossible to discipline
 - Creates nepotism

NO NEW BLOOD

- I The Aerospace Company has operated for years without providing the steady flow of new young employees every company must have to refresh itself with new ideas, concepts, and philosophies.
- II •Creates a stagnant body of employees
- Forces the company to maintain outmoded management practices and outdated technological concepts.
 - Negatively influences morale.
 - Promotes nepotism
 - Strengthens the Tong

BAD IR & D SYSTEM

- I The company IR&D system's potential effectivity is nullified by bad and ineffective management and the use of the system to fullfil personal and political needs to the detriment of the entire research effort.
- II
 - Nepotistic protection of buddies
 - Improperly managed funds

Another Boeing Investigation

THE WEEKLY
2-28-79

Recently, a curious story flashed across the front page of *The Seattle Times* and disappeared. It mentioned that "several executives of The Boeing Co. lost their security clearances with the federal Department of Defense." Boeing brushed off the incident as a temporary lifting of clearances, "just an investigation, nothing more."

Likewise the Department of Defense says that while an investigation is being carried out by its investigative arm, the Defense Investigative Service, such liftings are "nothing unusual. If there is a basis for an allegation, we routinely separate the persons involved from access to classified information."

There's no evidence that the story is serious, though some insiders at Boeing are worried. Jack Anderson picked up the story, and gave it his usual Armageddon treatment on a February 20 radiocast (Defense is checking the possibility that certain contracts went to Boeing because they were in a better bargaining position due to leaked classified material, said Anderson); he is said to be dispatching a reporter to Seattle this week.

Sources have supplied names of four company officials allegedly involved, but none of them could be contacted for confirmation—they were all on vacation, according to their secretaries, and those who could be reached at home, referred calls to corporate PR. These names, if they are the people in question, are fairly high up in Seattle and DC offices of Boeing.

According to one source, security clearance incidents often stem from a fairly common practice at DOD. Once a new military threat is discovered, according to this source, Defense it tempted to leak the information to the desired contractor who can come up with an answer to this new weapon system. This route is preferred to public bidding both to avoid alarming the public and to see that the best contractor gets a leg up on the job. In the process, some of the rules about classified documents can get skirted. If this practice is widespread or blatant, of course, a whole company can be in danger of losing its security clearance. So far, there's no evidence that Boeing's incident is anything more than a routine one, possibly inspired by a miffed competitor.

Meantime, the local press accounts of Boeing's overseas payments give the impression that the company has been given a clean bill of health by its own special board committee of outside directors. But the investigations are not over. The special committee also revealed that a federal grand jury and the IRS are continuing the probe. Here's an example of two ways to play the same story. First, *The Wall Street Journal's* lead:

"A federal grand jury is investigating Boeing Co., presumably in connection with questionable overseas payments previously reported by the company."

Here's the lead in *The Seattle Times* (which mentioned the grand jury probe in the last sentences of the story):

"A committee of outside directors of The Boeing Co. has found the aerospace company thoroughly completed an earlier investigation of Boeing payments overseas and that no further investigation is required."

—David Brewster

Pentagon Probe Completed

A Pentagon investigation completed last Friday alleges that several Boeing officials successfully obtained facts from the top-secret draft and then conspired to prevent defense agents from discovering the story behind the unauthorized disclosure.

It wasn't until early this year, some 10 months after the Pentagon investigation began, that James L. O'Rourke, a Boeing employee testifying under a Justice Department grant of limited immunity from criminal prosecution, gave the history of the leak.

Mr. O'Rourke, a marketing representative in the Washington office of Boeing's Boeing Aerospace Co. subsidiary, told investigators that he had read the secret draft memo and made notes. He then prepared a summary that was transmitted by telecopier from Boeing's Washington office to its Seattle headquarters last March 27. Pentagon officials presume that the information, transmitted over a normal telephone line, was routinely collected by Soviet agents, who they say monitor telephone lines to and from defense contractors.

The Pentagon is referring the case to the Justice Department for possible criminal prosecution.

Meantime, the Pentagon has suspended the security clearances of six Boeing employees, including Mr. O'Rourke and Ben T. Plymale, currently marketing vice president of Boeing Aerospace and formerly deputy assistant secretary of defense for strategic and space systems. In addition, the government temporarily barred two Pentagon officials, Lt. Col. Kenneth Van Dillen and Stuart Rubers, a civilian strategic analyst, from access to classified information for alleged roles in the security breach.

Boeing's Statement

Boeing isn't anxious to discuss the matter. In response to a query, a Boeing spokesman read a statement saying that "six Boeing employees—two of whom are secretaries—have had their security clearances suspended temporarily. Restoration of the clearances depends on the outcome of the investigation by the Department of Defense into an incident of handling classified information without appropriate safeguards."

Richard Albrecht, Boeing's general counsel, wouldn't discuss the case directly, but he said through a company spokesman that Boeing has always demanded of its employees strict adherence to security regulations. He insisted that Boeing cooperated as fully as possible with Pentagon investigators and asserted that the investigation doesn't involve an attempt by Boeing to gain a competitive advantage on any government program.

Mr. Plymale confirms that his security clearance has been suspended but says he doesn't want to comment further on the

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Pentagon Studies How Secret Data On Missile Were Obtained by Boeing

Continued From First Page
 matter. Mr. O'Rourke couldn't be reached for comment.

Defense officials say the incident underscores some of the problems inherent in the comfortably symbiotic relationships that develop between military planners and major contractors. They must exchange information while designing weapons, and they come to share a commitment to promoting their projects over competing alternatives.

The movement of weaponry experts between industry and government jobs, frequently on the same project, facilitates the easy flow of information and tends to blur the distinction between national security and corporate goals. Several of the principals in the Boeing case have alternated between jobs with the government and with the giant aerospace firm.

As a result, "this type of thing goes on all the time," one defense official says, referring to the Boeing case. But "nobody gets caught," partly because such security breaches rarely come to light. Thus, defense officials jumped on the Boeing case as a way to issue a warning, even though the secret that may have been compromised wasn't a major one.

Based on interviews with about 50 people, many under oath, agents from the Pentagon's Defense Investigative Service produced an account of the leak. It shows the interplay between Capitol Hill, industry and

the Pentagon as well as the sometimes-byzantine politics within the Pentagon.

The saga began last March 20, investigators say, when the staff of Seymour Zeiberg, deputy under secretary of defense for strategic and space systems, began work on a memo entitled "MX and Alternatives" for President Carter. A day or two later, Peter Hughes, a former Boeing employee currently on the staff of the House Armed Services Committee, told Boeing's Mr. O'Rourke that he understood the report had gone to the President.

Over the next few days Mr. O'Rourke learned that the report was still being drafted and that one of the alternatives, if adopted, could sharply reduce the amount of new business potentially available to Boeing.

The MX is a big new ICBM with up to 10 nuclear warheads. The Air Force wants to deploy the MX to modernize its current force of 1,000 smaller Minuteman missiles, which are stationary in underground silos. Because defense officials believe these silos will become vulnerable to attack from increasingly accurate Soviet missiles, they want to make the MX missiles mobile. A mobile MX system would cost about \$20 billion to build and deploy.

At the time of the incident, Boeing was competing to become the prime contractor for the MX program, as it had been for the Minuteman. In a decision unrelated to the security investigation, the Air Force subse-

quently selected Martin Marietta Corp. to supervise development and construction of the missile. But Boeing still might win contracts for aircraft or construction administration proceeds with plans for mobile deployment.

The Pentagon's Reconstruction

Pentagon investigators reconstruct Boeing case this way:

While checking the tip from Mr. H. about the draft memo, Mr. O'Rourke learned that one of the MX alternative Pentagon civilians were preparing for President involved placing the Loc Corp. Trident missile, an ICBM design launch from submarines, into existing uteman silos. Such a move (which seems highly unlikely) would sharply reduce Boeing's opportunities to participate program.

Then Mr. O'Rourke visited some Force officers to discuss the memo for President. Although the officers were involved in the MX project, they appeared to lack detailed knowledge of what was being drafted for Mr. Carter. Mr. O'Rourke suggested that the Air Force should make some contribution to the memo.

On March 23, Major Gen. Charles then the head of operational requirements the Air Force Research and Development Office, got what defense investigators "bootleg" copy of the closely held from Hua Lin, a Boeing employee on to work in the Pentagon's Weapons Research and Development Office. Gen. Kuyk gave a copy to Lt. Col. Kenneth Van Dillen of the officers Mr. O'Rourke had told of the draft, with instructions to lyze it for top Air Force brass.

Taking Notes

On the same day, Mr. Plymale Boeing aerospace marketing vice president discussed the memo with Mr. Hughes. Hill staffer who had initially tipped officials to the report. The next day Plymale asked Mr. O'Rourke to get a of the memo.

Several days later, Mr. O'Rourke Col. Van Dillen for a copy of the memo. Air Force officer refused to hand one but he did allow the Boeing man to read and take notes. From these notes, O'Rourke wrote the report that was submitted by telecopier to Mr. Plymale in the. (Col. Van Dillen declines to comment about the case.)

On March 28, Mr. Plymale talked to Zeiberg, whose office had written the report at a conference in California and discussed aspects of the memo in such great detail that the Pentagon official concluded Mr. Plymale had read the memo. When Zeiberg asked how the Boeing man had obtained his information, Mr. Plymale said he had found on his desk a telecopied report a brown envelope delivered by an unknown source.

Pentagon officials say that Mr. Plymale "fabrication" about receiving the information from an unknown source was the step in a concerted campaign to impede investigation of Mr. Zeiberg's report suspected leak.

The efforts—which in one way or another involved Mr. Plymale and an assistant Ham H. Jacaway; Charles Welling Boeing aerospace marketing manager in Washington; and Mr. O'Rourke—the destruction of evidence and other steps to hinder the inquiry, investigators Mesars. Jacaway and Welling are among the six Boeing employees to have their security clearances suspended.

Ironically, the memo Boeing obtained was never sent to President Carter. "It was too technical," a defense official says, "a simpler one went."

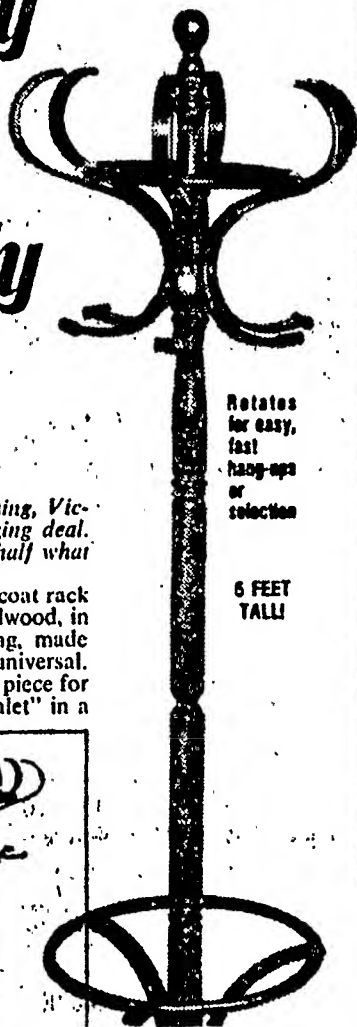
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Rotates for easy, fast hang-ups or collection

6 FEET TALL

3

Pentagon Studies How Boeing Got Secret Information

* * *
Leak of Memo on MX Missile,
Possibly Helpful to Firm,
May Also Benefit Russians

WALL STREET JOURNAL 3-1-79

By KENNETH H. BACON

Staff Reporter of THE WALL STREET JOURNAL

Major defense contractors frequently prowl the halls of the Pentagon and Congress, working to protect and increase their share of the \$59 billion the military spends annually on arms and supplies.

But last spring, Boeing Co. of Seattle, the nation's fourth-largest defense contractor with some \$1.6 billion a year in Pentagon business, apparently went too far.

Pentagon investigators assert that several Boeing officials violated national security restrictions by gaining unauthorized access to information classified top secret. They then handled the sensitive material in such a way that Pentagon officials believe it probably was intercepted by Soviet intelligence agents.

The information came from a document the Pentagon was preparing last March for President Carter. The draft memo discussed whether the administration should build a new land-based intercontinental ballistic missile, called the MX, or proceed with one of several less-costly alternatives for modernizing the nation's strategic arsenal.

That question, still unanswered, is one of the most important military issues President Carter faces. It is also of vital concern to Boeing. Depending on the decision, Boeing could win or fail to win billions of dollars of business over the next decade.

4

Boeing Reviews Controls on Secret Data Of U.S.; Pentagon to Press Such Action

WALL STREET JOURNAL 3-2-79

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON—Boeing Co. is reviewing its controls on classified government data and the Pentagon plans to encourage other defense contractors to do the same.

As reported in yesterday's Wall Street Journal, the Pentagon suspended the security clearances of six Boeing employees after finding that several of them obtained facts from a secret memo defense officials were drafting for President Carter.

Although the Boeing employees had security clearances that allowed them to deal with certain classified information, the Pentagon officials say they didn't have authority to see the facts contained in the memo, which discussed programs to modernize a strategic missile system.

The incident has triggered concern, both at Boeing and in the Pentagon, over enforcement of safeguards designed to prevent the unauthorized disclosure of sensitive defense data. Some Pentagon officials believe classi-

fied data may be treated too casually in the close relationships that often develop between military and corporate experts who cooperate in the development of new weapons.

Even before Pentagon investigators learned the full facts of the Boeing case, a number of government officials had been worried about the security of defense information used by corporations.

William Webster, Director of the Federal Bureau of Investigation, says that defense contractors are a prime target of Soviet intelligence operations in the U.S. Over a year ago the Central Intelligence Agency intensified its program for monitoring the security operations of companies with which it deals.

In a letter sent last Friday, T. A. Wilson, Boeing's chairman, told the Defense Department that the company has taken a number of steps "to reemphasize to employees their obligations and responsibilities for safeguarding classified information."

Among other things, Boeing spokesman Peter Bush said, Mr. Wilson has warned Boeing employees that they shouldn't "solicit or accept classified matter" unless they need to know the information. The need to know is one of the standards the government uses in determining who gets access to classified data.

Boeing also said it expects all employees to cooperate with government-security investigations. Pentagon investigators say several Boeing employees tried to block them from learning the facts behind the leak.

Mr. Wilson also told defense officials that Boeing plans to hold a round of management seminars on security rules.

A defense official said the Pentagon plans to urge all defense contractors to reexamine their security procedures.

Coverup attempt

Boeing officials destroyed papers in security probe

by DEAN KATZ
Times Washington bureau

WASHINGTON — Boeing Co. officials implicated in a security breach involving top-secret defense documents deliberately destroyed key evidence after Pentagon investigators began probing the matter, The Times has learned.

In one instance last year, James L. O'Rourke, a marketing representative in Boeing's Washington, D.C., office, burned documents that were the subject of investigation.

(O'Rourke has been suspended without pay pending outcome of the government investigation, Pete Bush, Boeing spokesman, announced in Seattle yesterday.)

Two Boeing vice presidents, Ben T. Plymale and Robert L. Hager, also destroyed evidence after the Pentagon investigation began early last year.

Plymale, Boeing Aerospace's vice president for marketing, asked O'Rourke to plant false documents in Boeing files in Washington, D.C., in hopes of confusing Defense Department investigators.

A Pentagon investigation com-

pleted last month says that several Boeing officials also conspired to prevent investigators from discovering the facts behind the unauthorized disclosure and that the officials were uncooperative with Defense Department agents.

Officials at the Defense Department are concerned that Boeing violated national-security restrictions by gaining unauthorized access to information in a memorandum being prepared for President Carter by Pentagon brass.

The memorandum discussed whether the administration should build a new land-based intercontinental ballistic missile, called the MX, or proceed with one of several less costly alternatives for modernizing the nation's strategic arsenal.

Boeing, the nation's fourth-largest defense contractor with more than \$1 billion in Pentagon contracts, has done some preliminary work on the MX missile and sought other missile-related contracts from the Defense Department.

A summary of the memorandum intended for Mr. Carter was transmitted last March 27 by telecopier over telephone lines from Boeing's Washington, D.C., office to its Seattle headquarters. Penta-

gon officials are concerned that it could have been intercepted by Soviet intelligence agents.

Boeing has said it has no evidence that the Russians obtained any information.

Since the Pentagon probe began, the security clearances of six Boeing officials, including Plymale and O'Rourke, have been lifted. Plymale formerly was a deputy assistant secretary of defense for strategic and space systems.

Two Pentagon officials involved in the leak of classified information also have had their clearances lifted temporarily.

Tuesday the Defense Department referred some documents regarding the investigation to the Justice Department for possible criminal prosecution.

O'Rourke cooperated with Pentagon investigators and gave them much of the information regarding the role he and others played in gaining access to and distributing certain documents.

But Plymale and others at Boeing reportedly have not cooperated with agents of the Pentagon's Defense Investigative Service, which conducted the probe.

(Related article, A 15.)

2

The Boeing example, and the new mood at the Pentagon

THE
WEEKLY
3-7-79

The *Wall Street Journal* last week left a lot of reporters unhappy when it unearthed the full story of the security investigation at Boeing. The story detailed the Pentagon investigation over the way four Boeing employees obtained information from a secret memo on the air force's proposed new MX missile, which may be replacing the nation's Minuteman missile system.

Local accounts, as in the *Seattle Times*, tended to downplay the embarrassing episode: "this sort of security violation goes on all the time," said Robert Twiss in his worldly-wise manner. Boeing was described as moving promptly to clean up the problems by conducting an internal probe and instructing employees not "to solicit or accept classified matter" unless they have a "need to know."

The seriousness of Boeing's violation is an unknown. But the story does underscore a new willingness by the federal authorities to clamp down hard on security violations. A year ago, the CIA quietly increased its monitoring of defense contractors, and the FBI says defense contractors are a prime target for Soviet intelligence operations in America. In short, Boeing is in the unfortunate position of being the company about to be made an example of.

Behind this new resolve is a growing feeling in the government that America's defense posture is becoming so weak, measured against rapid growth of the Soviet missile force and other offensive weapons, that we are inviting an era of Russian adventurism all over the globe.

—DB

adviser

A man identified as Gordon D. Brandrith, 50, of Nehalem, Ore. was killed Friday afternoon when his airplane crashed as he attempted to land at Evergreen Flying Service Airport near Vancouver. Winds were gusty. Veteran pilots said landing at the small field under such conditions requires flying skill. It took firemen about 45 minutes to get the body from the wreckage.

Boeing mum about breach of missile secrets

By The Associated Press

Boeing Co. officials won't discuss publicly a report that one of its employees on leave as a researcher for the Pentagon provided the aerospace company with access to a classified defense document.

The possible leak of the document to Soviet spies has sparked investigations by the Pentagon and Justice Department.

Boeing spokesman Pete Bush in Seattle, when asked to respond a Seattle Times story Friday, repeated an earlier "no comment" statement on the same subject saying, "We don't think it is appropriate to discuss allegations impugning individuals and we intend to maintain this stance until the investigation is complete."

Hua Lin, a Boeing employee on leave to work in the Pentagon's Weapons Research and Development Office, provided a "bootleg" copy of a top secret memorandum, being prepared by Defense Department brass, the newspaper said.

THE MEMO was for other Pentagon officials, who ultimately allowed a Boeing executive to see and take notes from the document, the paper said.

A Boeing executive, James L. O'Rourke, who since has had his security clearance lifted, transmitted a summary of the memo from Washington, D.C., to Boeing's Seattle headquarters over telephone lines on a telecopier machine.

Pentagon officials fear Soviet in-

telligence agents could have intercepted the information since they routinely monitor telephone lines of major defense contractors.

After discovering the leak of information to Boeing, Pentagon investigators conducted a probe, which was completed two weeks ago. Boeing has suspended O'Rourke without pay while the investigation continues.

The story said Pentagon investigators reconstructed the Boeing case this way:

ON MARCH 20, 1978, the staff of Seymour Zeiberg, deputy undersecretary of defense for strategic and space systems, began work on a memo entitled "MX and Alternatives" for President Carter.

Boeing has done some preliminary work on the MX missile and at the time was competing for a major role in the MX program, which it later lost to another company.

A day or two later, Peter Hughes, a former Boeing employee, telephoned O'Rourke, a marketing representative for Boeing, to tell him of the memo.

O'Rourke agreed to inquire about it and over the next few days tried to find the document.

Stuart Rubers, a civilian analyst for the Pentagon, showed O'Rourke part of the draft memo during a meeting and O'Rourke later read some parts of the report, with Ruber's knowledge.

O'Rourke then told Air Force officials involved in the MX program about the memo and suggested they make some contribution to the report.

Further pursued, the newspaper said.

The former executive nor the candidate in the 1972 campaign were identified.

ON MARCH 23, Major Gen. Charles Kuyk of the Air Force Research and Development Office got a copy of the memo from Hua Lin. Kuyk gave the copy to Lt. Col. Kenneth Van Dillen, with instructions to write an analysis for top Air Force officials.

A Boeing vice president, Ben T. Plymale, asked O'Rourke to get a copy of the MX memo so he could discuss it at an upcoming conference which Zeiberg, whose office drafted the memo, was scheduled to attend.

On March 27, O'Rourke asked Van Dillen for a copy of the memo. Van Dillen refused, but allowed O'Rourke to read it and take notes.

O'Rourke used the notes to prepare a summary which he transmitted by telecopier to Plymale, marketing vice president of the Boeing Aerospace Co. Another copy went to Robert W. Hager, another Boeing vice president.

ON MARCH 28, Plymale met with Zeiberg in California and discussed the memo in such detail that Zeiberg concluded Plymale had seen it.

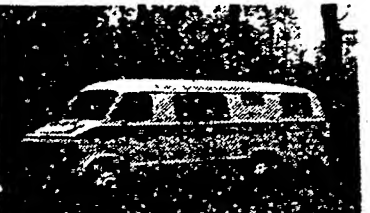
When asked by Zeiberg how he obtained his information, Plymale said he found a brown envelope on his desk, sent from an unknown source, containing a draft copy of the memo. Plymale said he took the document home with him and after reading it, destroyed it.

Pentagon officials say Plymale's "fabrication" about receiving the information from an unknown source was the first step in a concerted effort by Boeing to impede the probe and to cover up the unauthorized disclosure of the memo.

knowledge of asserted incidents of industrial espionage and company-solicited employee contributions to political candidates.

Last November, according to confidential correspondence, the

campaign. The Boeing man then received a series of instructions from the aide. These then were carried out on behalf of the aide's — and Boeing's — candidate, the report says.



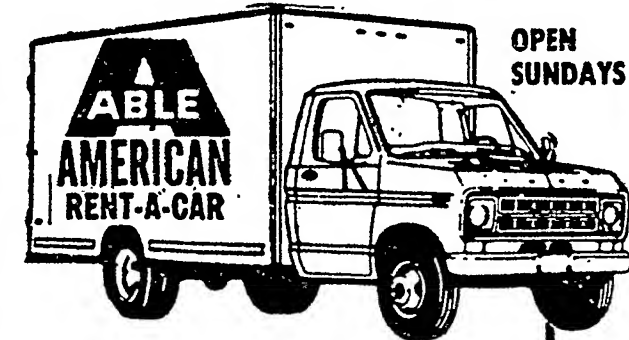
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JOURNAL AMERICAN

Boeing man in Pentagon leaked memo

by DEAN KATZ
Times Washington bureau

WASHINGTON — A civilian Pentagon researcher on leave from The Boeing Co. indirectly was responsible for providing Boeing officials with access to a classified defense document that has spurred investigations by the Pentagon and the Justice Department.

Hua Lin, a Boeing employe on leave to work in the Pentagon's Weapons Research and Development Office, provided a "bootleg" copy of a top-secret memorandum, being prepared by Defense Department brass, to other Pentagon officials. Those defense officials permitted a Boeing executive to see and take notes from the document.

A Boeing executive, James L. O'Rourke, who since has had his security clearance lifted, transmitted a summary of the memorandum to Boeing's Seattle headquarters from Boeing's Washington, D.C., office over telephone lines on a telecopier machine.

Pentagon officials fear Soviet intelligence agents could have intercepted the information, since they routinely monitor telephone lines of major defense contractors.

After discovering the leak of information to Boeing, Pentagon investigators conducted a detailed probe which was completed two weeks ago.

Boeing has suspended O'Rourke without pay while the investigation is under way.

Pentagon investigators reconstructed the Boeing case this way: On March 20, 1978, the staff of

Seymour Zeiberg, deputy under-secretary of defense for strategic and space systems, began work on a memo entitled "MX and Alternatives" for President Carter.

Boeing has done some preliminary work on the MX missile and at the time was competing for a major role in the MX program, which it later lost, in unrelated action, to another company.

A day or two later, Peter Hughes, a former Boeing employe now working for the House Armed Services Committee, telephoned O'Rourke, a marketing representative for Boeing, to tell him of the memorandum.

O'Rourke was unfamiliar with the document but agreed to inquire about it. Over the next few days, O'Rourke tried to find the document.

Stuart Rubers, a civilian strategic analyst for the Pentagon, showed O'Rourke part of the draft memo during a meeting, and O'Rourke later read some portions of the report, with Ruber's knowledge.

O'Rourke then told Air Force officials involved in the MX program about the memorandum and suggested they make some contribution to the report.

On March 23, Major Gen. Charles Kuyk, then head of operational requirements in the Air Force Research and Development Office, got a copy of the memorandum from Hua Lin, the Boeing employe on leave to work at the Pentagon. (Hua Lin since has admitted he gave Kuyk the memo outside of normal channels.)

Kuyk gave the copy to Lt. Col. Kenneth Van Dillen, one of the

officers O'Rourke already had told of the draft, with instructions to write an analysis for top Air Force brass.

A Boeing vice president, Ben T. Plymale, asked O'Rourke to get a copy of the MX memorandum so he could discuss it at an upcoming conference which Zeiberg, whose office drafted the memorandum, was scheduled to attend.

On March 27, O'Rourke asked Van Dillen for a copy of the memo. Van Dillen refused the request but did allow O'Rourke to read it and take notes.

O'Rourke used the notes to prepare a summary which he transmitted by telecopier to Plymale, marketing vice president of the Boeing Aerospace Co.

Another copy went to Robert W. Hager, another Boeing vice president.

On March 28, Plymale met with Zeiberg at a conference in California and discussed aspects of the memorandum in such detail that Zeiberg concluded Plymale had seen the memo.

When asked by Zeiberg how he had obtained his information, Plymale said he had found a brown envelope on his desk on March 24, sent from an unknown source, containing a draft copy of the memo. Plymale said he took the document home with him and, after reading it, destroyed it.

Pentagon officials say Plymale's "fabrication" about receiving the information from an unknown source was the first step in a concerted effort by Boeing officials to impede the investigation and to cover up the unauthorized disclosure of the memorandum.

After Boeing officials learned

that Zeiberg had reported the security violation and that an investigation had begun, O'Rourke and William H. Jacaway, of Boeing's strategic-planning office in Seattle, agreed that O'Rourke should destroy all the documents he had relating to the memorandum.

O'Rourke burned the documents at home, while Jacaway told a Boeing official in the company's Washington, D.C., office to make sure there were no incriminating documents there.

Plymale, who destroyed his copy of the O'Rourke summary, later tried to plant a fabricated

document in Boeing Co. files in Washington, D.C., in hopes of throwing off investigators.

Hager, the other Boeing vice president, destroyed his copy of the O'Rourke summary as well.

Ironically, the memorandum never was sent to Mr. Carter.

Five who lost security clearance return to Boeing

Five of six Boeing Co. employees who lost their security clearances are back at work in jobs not requiring such clearances. The sixth has been suspended without pay pending a government investigation of the security case, said Pete Bush, a Boeing spokesman.

The top-secret security clearances were revoked by the Defense Department last month when it was reported the six mishandled classified information on the proposed MX strategic missile.

One of the six, Benjamin T. Plymale, a Boeing vice president and former deputy defense secretary, has returned from sick leave following a gall-bladder operation, Bush said. He said Plymale is being assigned duties not requiring a clearance.

William Jacaway, once an aide to Plymale, has been reassigned to Boeing's rapid-transit program, Bush said.

Charles Welling, formerly in Boeing's Washington, D.C., office, is arranging a marketing conference and plans to go on vacation, Bush said.

Two women secretaries involved in the case have been transferred to nonsensitive work, Bush added.

The suspended employee is

James L. O'Rourke, a marketing representative in Boeing's Washington office.

The Wall Street Journal reported last week that O'Rourke, who was reported at the time on "administrative leave" along with Welling, had given information on the case to Defense Department officials.

O'Rourke told defense investigators that he saw, with permission of an Air Force colonel, a memo being prepared for President Carter on the MX. O'Rourke then transmitted a summary of the memo to Plymale's office here on a telecopier over telephone lines.

Soviet intelligence agents are known to monitor defense contractors' telephone lines, Pentagon officials say.

The Defense Department Tuesday turned over to the Justice Department preliminary information on the case. The Justice Department will investigate to see if any federal laws were violated and whether prosecution is warranted.

The Defense Department began its investigation last March.

Boeing is cooperating in the probe and has pledged support for security regulations.

Role in presidential campaign

Boeing accused of illegal acts

by RICK ANDERSON
Times staff reporter

The Boeing Co., under investigation today over a breach of top military secrets, was involved in a number of unrelated assertedly illegal acts, including previously undisclosed participation in the 1972 presidential campaign, a federal investigative committee has been

told.

A former Boeing executive has told the federal committee of his direct involvement for a presidential candidate on behalf of, and paid for by, Boeing.

Federal law makes it illegal for corporations to contribute to or directly participate in political campaigns.

The former executive also reported firsthand knowledge of as-

serted incidents of industrial espionage and company-solicited employee contributions to political candidates. He also revealed other asserted acts of which he had secondary knowledge.

But the investigative committee privately told the man the accusations would not be pursued further.

The special outside committee was set up last July by federal

court order to probe Boeing's role in questionable payments to overseas customers.

The committee was established as part of Boeing's agreement to an action brought by the Securities and Exchange Commission, which charged that Boeing failed to disclose \$52 million in overseas payments.

It was the committee's job to

(Continued on A 14.)

FRONT PAGE SEATTLE TIMES 3-9-79

Boeing accused of political misdeeds

(Continued from Page 1.)

review Boeing's role in the case and study the company's actions to correct any problems.

Last November, according to confidential correspondence, the former executive offered to "discuss a variety of information" with the three-member committee.

He offered to do this so the committee "might have a perspective to your findings that you may not otherwise have."

The former executive then met with the committee's counsel, who in turn relayed the former executive's information to the committee.

The former executive said he had attempted to work internally at the company to correct the asserted practices, but had failed.

He told the committee's counsel of his own documented role to aid the company's favored candidate in the 1972 presidential race.

Times articles yesterday about a government investigation of a security breach involving Boeing employees contained "serious inaccuracies," Boeing spokesmen say.

The spokesmen, however, declined to cite any inaccuracies, saying that "it would be inappropriate to discuss these allegations until the investigation is concluded."

Boeing will have something to say when the investigation is completed, one of the spokesmen said.

Six Boeing Co. employees have lost their security clearance during the investigation. The Defense Department Tuesday turned over some documents in the case to the Justice Department, which will investigate to see if prosecution is warranted.

Although Boeing's involvement in the campaign has been partly revealed, the man's role and other aspects have not.

A copy of the former executive's trip report, marked "Personal" and written to a department superior at Boeing, states the man was asked by an aide of one candidate to take part in the campaign.

The Boeing man, who met with the aide in the company of another

Boeing official, then received a series of instructions from the aide. These then were carried out in behalf of the aide's — and Boeing's — candidate, the report states.

The former executive also told the committee that some Boeing executives were told by superiors to donate 1½ per cent of their annual salaries to political candidates favored by the company. The former executive said he re-

fused and fell into disfavor among his bosses.

Other information the former executive revealed to the committee included details of a 1970 incident involving an assertedly successful bugging attempt to obtain data from a competitor regarding its bid on a federal defense contract.

The former executive said a man who assertedly did the bugging told him about it; the former executive also had names of others who could corroborate the incident.

In late January this year, the committee's counsel wrote the former executive that the committee had weighed his information, and dropped it.

"I have reported in substance what you have told me to the committee," states the January 24 letter.

Saturday
March 10, 1979



WEATHER

Fair and warm.

High, mid-to-upper 60s;

low, 35 to 40. Details, D 26.

The Seattle Times

Washington's largest newspaper

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56 pages-15c ★ ★

Former executive reports trip Boeing campaigned for Jackson

by RICK ANDERSON
Times staff reporter

A former Boeing Co. executive says a trip he took in 1971 to New Hampshire on company business was in reality a company-paid political jaunt to work on the presidential campaign of Senator Henry M. Jackson.

The executive, who is requesting an-

onymity, says the trip was arranged through another Boeing official and one of Jackson's longtime friends and campaign officials, John Salter.

Salter yesterday said he didn't remember the incident. Boeing officials also denied it. Jackson's office said the senator had no knowledge of it.

The former executive, who says he believes the trip may have violated fed-

eral law involving corporations and political campaigning, told a federally ordered special investigative review board late last year about the trip.

The three-member board, set up as part of a federal-court agreement between Boeing and the Securities and Exchange Commission over some of Boeing's overseas payments that were questioned, told the man two months ago

it had reviewed his statements but was taking no further action.

A copy of the board's final report, a public document, does not mention the man's statements, which included other allegations of improper or illegal acts by the aerospace giant, the man says.

Originally, the former executive says, he went to other Boeing officials with his information, but got no satisfac-

tion.

A Boeing spokesman yesterday said the company had "thoroughly checked out" the ex-executive's charges, but found no truth in them.

The spokesman said he was not certain as to how company investigators resolved the existence of what the exec-

(Continued on A 4.)

Ex-Boeing executive 'took political trip'

(Continued from Page 1.)

...ive says are documents — a trip report and expense voucher — indicating the company participated in the planning, and paid for, the trip.

The travel-expense report states the man's mission to New Hampshire was to work on various company business, such as "Asic Program, AACP and AWACS," but underneath is a notation:

"Real reason — Sen. Jackson trip for John Salter."

Five days of per diem, lodging and local mileage reimbursement totaled \$187; other "business expenses" came to \$135.

A report by the former executive, dated November 15, 1971, states another Boeing official "said he was interested in enlisting my aid in helping Senator Jackson in the New Hampshire primary (Jackson, eventually, decided not to run in that state).

"Within another hour," he said, he, the other official and a third Boeing executive "showed up in John Salter's office downtown, where I was briefed on Senator Jackson's plans. I was asked if I could go to New Hampshire and get a

list of Democrats and Independents for the senator's campaign team to use in soliciting support.

"I was a little apprehensive because of being an Independent leaning toward the Republican side and am almost devoid of political experience of that type.

"John Salter said their position, in effect, was 'What will we end up with if Nixon loses?' I hadn't considered that, but there was a rather nauseous immediate reaction, so I said I would be glad to do whatever I could."

A week later, he was in New Hampshire, the report states. "I discussed the situation with a lot of people and not only was able to arrange for what I believe should be an excellent list, but I also found some interesting points which I wanted to put in this report" — which he did, listing what appeared to be a weakness of candidate Senator Edmund Muskie, the strengths of Jackson ("... he may have a very real shot at it in 1976 if not 1972") and an endless supply of G.O.P. sympathizers ("It turned out that almost all of the people I talked to in the state were Republicans ... it may be a very good thing for the senator if he appealed to the Republicans in the state

on a 'what if?' basis to have two good candidates").

The former executive said his name also got back to "the man who brought Jackson into New Hampshire, an industrialist by the name of Norm Kreisman who has taken a year off to help the senator." The executive said he met with Kreisman and then took him to meet others who were helping the Boeing man prepare the list of Democrats for Jackson.

The man also has two letters, with Kreisman's letterhead, dated November and December, 1971. Addressed to the executive, one states:

"Dear ...

"I just came down from The Hill, where Scoop announced today. Looks like we're off and running (for the presidency).

"Let me thank you again for the great help you've been with your contacts, advice and list of names. After I see the people you have recommended, I'll give you a full report. Meanwhile, I'm telling all concerned how helpful you've been.

"Best regards, Norm."

John Salter, who was Jackson's administrative assistant 25 years and his almost-lifelong friend and political adviser, said he couldn't recall meeting the former executive.

"I don't know him from a bar of soap," Salter said yesterday from his offices at Pier 66 in Seattle.

"It sounds kinda like the old Scheyer case, which wasn't what it was thought to be."

He was referring to stories in April, 1972, over the discovery that Rod Scheyer, a Boeing employee, was campaigning for Jackson in Northern Wisconsin. Scheyer also had spent \$299.66 for Jackson advertisements.

Boeing at the time said Scheyer was not authorized to spend any of the company's money on the campaign, and that any work for the senator was not done on Boeing's behalf.

Jackson was chagrined by the episode, which his staff said was an attempt by The New York Times, which brought up the issue, to make Jackson appear a company candidate for the aerospace firm — "The senator from Boeing."

There is no indication in the report by the former executive that Jackson personally had any knowledge of the executive's apparent efforts in New Hampshire.

In the case of Scheyer, Salter said, "he was apparently one of those guys Norm Dicks helped organize. There were some in Florida, too, as I recall. Athletes. I think they were called Jocks for Jackson, or something," he said with a chuckle. Another Boeing employee was found involved in Jackson's campaign that year in Florida, but the company again said the employee was on his own.

Dicks, then administrative assistant for Senator Warren Magnuson and now 6th District congressman, could not be reached for comment yesterday.

Pete Bush, Boeing spokesman, said the company found the former executive's statements "without merit."

Bush suggested the outside review board, concerned with the issue of overseas payments, had further confirmed Boeing's conclusions by choosing not to investigate the claims.

The one-time executive, Bush said, "is just a disgruntled ex-employee."

Boeing denies stories of spying, political coercion

by RICK ANDERSON
Times staff reporter

The Boeing Co. says an investigation the company conducted shows that it was not involved in any 1970 espionage to gain an edge in bidding for a federal contract.

"We don't believe it happened," said Pete Bush, Boeing public-relations director.

A former Boeing executive has told a federally ordered investigative review board about such an incident.

The special board, set up by federal-court order to review Boeing disclosures and police its actions regarding questioned overseas payments, was given the in-

formation late last year. The board told the man two months ago it did not see a need for further investigation of the charge.

The former executive, who has requested anonymity, told the board he was told of the spying incident by two men, one who planned it, the other who performed it, both Boeing employees.

Bush said, "The people supposedly involved deny it. There's no truth to it."

He said Boeing's investigation was extensive and took place "a couple years ago" after the executive reported the purported incident to other officials in the company.

(Continued on A 14)

A 14

Sunday, March 11, 1979

The Seattle Times

here

Ex-executive's reports untrue, says Boeing

(Continued from Page 1.)

1% Bush also denied the former executive's contention, made to the special board as well as Boeing officials, that some Boeing employees were required to contribute up to 1½ per cent of their annual salaries toward the campaigns of political candidates favored by the company.

"We have a political-action committee, or something," Bush said, "that just asks if someone wants to contribute not more than one quarter of 1 per cent of earnings, not to exceed \$100 a year. There is no coercion."

NOT TRUE The former executive told the board he refused to give 1½ per cent, and fell into disfavor among other executives. Three others in his office, he said, contributed money.

The Times on Friday reported the man had made his charges to the board and then privately was notified in January by the board's counsel that it was taking no further action. A final report by the board does not mention the charges.

The former executive also told the board, The Times revealed yesterday, that he had worked on behalf of Senator Henry Jackson's presidential campaign in 1971 and was paid for the work by Boeing. The company denies the assertion.

Boeing is being investigated by the Department of Justice over a security breach of top military secrets.

On Thursday The Times disclosed that James L. O'Rourke, a now-suspended Boeing employee and a key figure in the breach,

burned documents that were the subject of investigation.

Two others, Boeing Vice Presidents Ben Plymale and Robert Hager, also destroyed evidence after the Pentagon began an investigation of the leak last year.

In another matter, a federal grand jury in Washington, D.C., reportedly is reviewing Boeing's overseas payments, which were questioned by the Securities and Exchange Commission.

The S.E.C. had contended that Boeing failed to disclose \$52 million in payments to overseas customers.

The review board was created as part of a court settlement between Boeing and the S.E.C. last July. Three of the nation's major business executives, including the chairman of the New York Stock Exchange, made up the board, which found little to add to what Boeing had already disclosed in the settlement.

However, the board did reveal that, in connection with "the sale of aircraft to a nonairline government agency in Indonesia," in 1974, "it appears that a company consultant who was paid \$357,000 was also at the same time a consultant to the government agency that purchased the aircraft."

The report offered no additional, specific details on the incident.

It said the grand jury has subpoenaed company documents and interviewed past and present Boeing employees.

The report also indicated the Internal Revenue Service has begun a probe on the questioned payments.

The Seattle Times

AN INDEPENDENT NEWSPAPER

Founded August 10, 1896

Alden J. Blethen, 1896-1915

Elmer E. Todd, 1942-1949

C. B. Blethen, 1915-1941

W. K. Blethen, 1949-1967

John A. Blethen, Publisher

W. J. Pennington, President

Monday, March 12, 1979

The Times' opinion and comment:

Disturbing issues in Boeing case

THE Boeing Co. is under investigation by the Justice Department and the Pentagon for possible national-security violations and obstruction of justice by several employees.

The facts are not all in, so it would be premature to jump to final conclusions.

Nonetheless, the matter raises disturbing questions about the arrangements involving the Defense Department and defense contractors. And the answers to those questions may contain some important lessons for the conduct of what used to be called — and the phrase still applies — the "military-industrial complex."

To review the allegations briefly, The Times first reported in mid-February that several Boeing employees had lost their Pentagon security clearances over an incident involving handling of classified information without appropriate safeguards.

A Boeing spokesman first denied knowledge of the matter, then read a brief statement on the incident but refused to discuss it further, saying: "There's no story here . . . It's just an investigation, nothing more."

On March 1, however, The Wall Street Journal in a front-page story reported that Boeing executives obtained information from a top-secret draft memorandum being prepared by the Pentagon for the White House, and transmitted a summary from Boeing's Washington, D.C., office to Seattle by telecopier — over normal telephone lines routinely monitored by Soviet agents.

Moreover, The Journal said, Boeing executives conspired to cover up the unauthorized disclosure, fabricated an explanation, destroyed evidence, and otherwise tried to impede the investigation.

The Times' Dean Katz, in a

series of follow-up stories, confirmed these allegations and described how a Boeing employee on leave to work in the Pentagon was indirectly responsible for providing Boeing people with access to a "bootleg" copy of the classified document. (Boeing spokesmen say The Times' articles contained "serious inaccuracies," but declined to specify them.)

Many veteran observers of the byzantine business-political relationships among the Pentagon, defense contractors, Congress and the White House assert that this sort of activity goes on all the time. They contend that the fierce competition among private companies for multimillion-dollar defense contracts makes it inevitable that some security violations will occur.

The only difference, they say, was that Boeing employees got caught and tried to cover up their actions.

If that is indeed the case, it should be a matter of grave concern for the federal government, the defense industry, and the public. There should be an immediate and thorough review of the policies and procedures for handling classified material, selecting new weapons systems, and awarding defense contracts.

The Boeing case may be a warning to all involved that it's time to tighten things up. Boeing's top management has pledged to do all it can to improve its safeguards, and plans to hold a series of seminars on security regulations.

The incident also may help stop the "revolving door" system whereby employees move back and forth between jobs in industry and government. In the Pentagon, the distinction between national and corporate interests is sometimes a little fuzzy.

Ex-Boeing official's reports rebutted

by RICK ANDERSON
and LOU CORSALETTI

Times staff reporters

An attorney for a committee that reviewed Boeing's overseas payments differs with a former Boeing executive over why the federally ordered committee never got to hear the executive's version of how some money may have been "funneled" to foreign consultants.

The former executive says he was prepared to give details of a questionable "overseas" payment but concluded the committee did not want to hear about it.

Albert J. Brown of San Francisco, counsel for the Boeing Special Review Committee, contends he asked the former executive for information but never received it.

Brown says a letter he wrote to the former Boeing employee, dated January 24, 1979, was his request for the information. In part, the letter states:

"If you have some new or additional material you wish to call to the committee's attention, I suggest you put it in writing."

The former executive, who has requested anonymity, said he did not respond because it appeared the committee already had completed its review process and because it had decided not to investigate further allegations he had made.

BROWN AND the former executive agree that the ex-Boeing official had supplied information on reputed company indiscretions, including a contention by the man that he had worked on behalf of Boeing in the 1972 presidential campaign of Senator Henry Jackson.

Boeing officials and Brown say the contention that the executive worked for Jackson is untrue.

An important Jackson supporter, Norman Kriesman, an industrialist, told The Times last week that he remembers working with the then-Boeing executive during Jackson's 1971 primary preparation in New Hampshire.

Brown's January 1979 letter to the former executive states that Brown "reported in substance what you have told me in the committee. The committee has considered this and does not believe at this time that any further investigation is required by it."

The former executive, who said he gave the previous allegations to the attorney in hopes of obtaining an audience before the full committee, decided he had lost that chance after it only "considered" the information. He said he felt the information showed the company could have violated federal election law.

(The Federal Elections Commission in Washington, D.C., says it is unable to decide if any laws may have been violated unless it has a formal complaint before it, which it doesn't.)

Panel lawyer rebuts ex-Boeing man

Continued from Page 1.)

Brown sent the letter. The former executive said his feeling was based on the fact that seven days later (February 5), the committee's lengthy final report was released.

The report, in part, concluded: "(Boeing) company's (self) investigations were reasonably complete, and no further investigation is required."

The committee, composed of five members of Boeing's outside board of directors, was established last year as part of a federal court order consented to by Boeing and approved by the Securities and Exchange Commission.

The S.E.C. contended Boeing failed to properly disclose information on \$52 million in overpayments, charging the company was engaged in an undisclosed transaction of business . . . in violation of the Federal Securities Law." The report points out that the committee did not allege acts of bribery,

while neither admitting nor denying allegations, consented to a federal injunction precluding the company from engaging in any such questionable practices in the future.

The consent agreement also set out a new view of Boeing's investigation beginning in 1975) into the payments, and established the oversight committee of three board members living out of state.

The three — William Batten, chairman of the New York Stock Exchange; David Packard, chairman of Hewlett-Packard, Palo Alto, Calif., and Harry W. Haynes, board chairman of Standard Oil Co. of California — were instructed by the order to select outside counsel with no connection to the company.

The committee selected Brown and his firm, Pillsbury, Madison & Sutcliffe, is also legal counsel for Standard Oil Co. of California. The order says the counsel's selection had to meet S.E.C. requirements.

BROWN SAID he met with the Boeing executive "several times since last November to discuss information the ex-Boeing man wanted to give the committee."

They had lengthy conversations. Brown said in a telephone interview last week, "and he kept

saying this, what was going on, but he never would, or could, prove anything."

"He made a number of statements to me, and I reported them to the committee. We investigated them to the best of our ability — we didn't have subpoena power, or anything — and we couldn't find any substance to them."

"He spent a hell of a lot of time telling me what was wrong with the Boeing Aerospace Co. (the noncommercial division), about people, expense accounts, and he also said he would like to go in there as a consultant, he and another guy, and clean the place up."

"He told us lots of things that are not in (within) the charter of the committee."

Brown says that during one of their conversations, he asked the former executive if he knew how any of the money paid to overseas consultants on plane sales might have been improperly "funneled."

Later, Brown said, the former executive "called and left a message that he had information, so I wrote him a letter and said if he had any concrete evidence, put it in writing, and the committee would look into it."

The letter, in full, states:

"I am sorry that I have not been available to talk to you on the telephone, however, if I had talked to you I think I would have said about what I am now writing."

"I have reported in substance what you have told me to the committee. The committee has considered this, and does not believe at this time that any further investigation is required by it."

"If you have some new or addi-

tional material you wish to call to the committee's attention, I suggest you put it in writing. When you write, you should be very specific, avoid generalities and recite the evidence that is available to prove what you are saying. I suggest you write direct to the chairman of the committee, Mr. Packard."

The former executive says his offer as a consultant was "not based on capitalism, but as part of my seven-year endeavor to help straighten things out at Boeing."

A company spokesman characterizes the man as a "disgruntled ex-employee."

THE COMMITTEE'S final report, which officially marked the end of its assignment, says Brown, touches on little new information that The Boeing Co. had not already disclosed to the public and shareholders as part of the S.E.C. settlement.

It did reveal, under "additional disclosures," that the company's Indonesian consultant, paid \$857,000 as part of an aircraft sale to a government agency, also was a consultant to that same agency.

The report also revealed that in Nigeria a government official requested that Boeing contract with a particular consultant who was subsequently given checks for \$1,000 and \$20,000. The \$20,000 check later was discovered to have been endorsed by both the consultant and the government official who had recommended him.

Brown and his staff, the report states, devoted in excess of 1,600 hours over five months to the investigation.

Said Brown: "It's the view of the board, and my view, that you could spend the rest of our lives investigating (unspecific) things like the (former executive charges)."

Says the former executive: "I have names, dates, places. I'm still willing to reveal them."

More information available

Study of Boeing payments renewed

by RICK ANDERSON
and LOU CORSALETTI
Times staff reporters

Additional information on The Boeing Co.'s overseas payments is being looked into by the company, its special outside review committee and the Securities and Exchange Commission.

An S.E.C. attorney, Sigfried Schoedel, yesterday said he has passed the information along to Albert J. Brown of San Francisco, counsel for the Boeing Special Review Committee, which was created as part of a federal-court agreement between Boeing and the S.E.C. — to review Boeing's foreign payments.

Although the committee officially has concluded its work and pub-

lished its final report, the information was forwarded to Brown because he remains designated counsel, the S.E.C. said.

Brown, in turn, passed along the information to Boeing in Seattle, which has done its own investigation into its overseas payments.

The S.E.C. had questioned \$52 million in overseas payments made by Boeing, charging the payments had led to a course of business that violated federal securities law.

Boeing, last July, agreed to a consent order in federal court, neither admitting nor denying any wrongdoing, then disclosed to stockholders details of its foreign transactions.

The review committee, composed of three of Boeing's own

board members, disclosed some additional information in its review report, but concluded after its investigation was unnecessary.

The additional details now being looked at apparently originated, at least in part, from claims made by a former Boeing executive. He told the S.E.C. yesterday he has details of money "funneling" and other information on the overseas payments.

But, through a circuitious route, his information apparently already had reached the S.E.C. and was passed on to Brown and Boeing last week. Boeing said it was looking into this information.

The former executive, who has requested anonymity, said he gave payment information to the

office of a syndicated, Washington, D.C., reporter, whose office apparently contacted the S.E.C. From there, the information began traveling by telephone, reaching Boeing March 13.

The former executive has said he is dissatisfied with the way Boeing and the review committee's counsel handled previous allegations he had made, and was surprised to learn the S.E.C. had passed this additional information on to them.

However, Schoedel, the S.E.C. attorney, yesterday was attempting to arrange a personal interview with the former executive to obtain his information firsthand.

Schoedel, at one point in a telephone interview, said he was
(Continued on A 10.)

SEATTLE TIMES-FRONT PAGE 3-21-77

Study of Boeing payments renewed

(Continued from Page 1.)

"having some problems" with the review committee's final report, but would not elaborate.

Previously, the former executive had given Brown, the review committee's counsel, general information on what the executive says was his role, on behalf of Boeing, in the 1972 presidential campaign of Washington Senator Henry M. Jackson.

He said he also gave Brown general information on an alleged 1970 industrial-espionage incident involving Boeing.

The Boeing Co. says its own investigation showed neither allegation to be true; in specific response to the Jackson allegation, Pete Bush, company spokesman, said yesterday:

"No one ever contested that (the former executive) made such a business trip to New Hampshire (in 1971).

"Both the business-expense form which he submitted and statements which he made immediately after the trip attest that he carried out his assignment.

"If he did some survey work for Senator Jackson during his free time, as he said he attended to before he left, those efforts would be both legal and in accord with company policy.

"If, as he has apparently told The Seattle Times, he did not carry out his business assignment, he is directly contradicting his own statements to us as well as the travel-expense form which he signed.

"No original documents related to his trip make reference to the senator." The former executive claimed he was selected and sent by other Boeing officials to help draw up a list of supporters who would help Jackson in New Hamp-

shire (Jackson later decided not to run in that state's Democratic primary.)

The executive said it was not something he would do on his own because he "was anything but a Democrat" and would not have supported or voted for Jackson.

The former executive said he told Boeing officials in 1972 and again in their investigation in 1977 that he turned in forms stating he had done company business on the trip, but was told to do so to "cover" the political assignment.

He admits he later added the notation, "Real reason Senator Jackson trip for John Salter" (a Jackson aide), to a copy of one of the business-expense forms, after the original was turned in.

Jackson's office said it had no knowledge of the incident. Salter said he did not remember it.

A Jackson supporter in 1972, Norman Kreisman, an Eastern industrialist, said he remembered working with the former Boeing man after being put in touch with him apparently through Salter, he said. Kreisman said he later received a list of supporters from the executive.

Brown and the former executive differ as to why specific details of other allegations by the executive never reached the committee.

The former executive said that in early January he had told the attorney he had information regarding overseas payments and would like to present them in person to the committee.

Later that month, Brown wrote the executive in apparent reference to that offer, suggesting the executive put "any new or additional material . . . in writing."

The letter also stated that the executive's previous allegations had been "considered" by the

committee and no further investigation of them was planned.

The former executive concluded, he said, that since his original allegations had been only "considered," there appeared to be a lack of interest in any other information he could give the committee.

He also felt the committee, in reality, had concluded its work. Seven working days later, its final report was released.

Brown contends the letter was his offer to the executive to disclose the overseas details.

It appears now that in a roundabout manner, some of the details have reached the counsel. The former executive yesterday said he had more details to offer the S.E.C.



Five say Boeing man's visit focused on Jackson

by LOU CORSALETTI
and RICK ANDERSON
Times staff reporters

Five New England-area businessmen have told The Times their discussions with a former Boeing Co. executive in November, 1971, focused only on the presidential campaign of Senator Henry M. Jackson.

The former executive, who has asked to remain anonymous, contends he was sent to New Hampshire by Boeing to seek support for Jackson's possible entry into that state's primary election. He said the trip was not for company business.

Boeing officials have denied the assertion, noting that the former executive's expense report for the trip indicates he was there on an assignment.

The former executive said he conducted no business, but instead assisted a Jackson supporter, Norman Kreisman, an Eastern industrialist, in establishing contacts for support of Jackson in the

business community. He said he was sent to New Hampshire because he worked there previously for an electronics firm.

Four of the five businessmen were former fellow employees of the executive at Sanders Associates, an electronics firm at Nashua, N.H.

Charles Glenday, public-affairs director, said the former Boeing man told him in 1971 he was in the state working on the Jackson campaign.

The senior engineering director for the same firm, Arnie Schummacher, said he and the executive discussed Jackson's campaign, but not company business.

"He came to our home on a social visit and said he was working on behalf of Senator Jackson," Schummacher said.

Joseph Dolan, an aerospace marketing consultant and former Sanders employee, said the executive indicated he was "... out here on Jackson's campaign."

"He was not out here in the sense of usual

politicking, to get votes or that ... he was here to interview people. He was not on a campaign for Jackson, but only to write a report on him ... on Jackson's defense policies, something like that," Dolan commented.

And William Curry, now president of an electronics firm in Massachusetts, said he and his wife had dinner with the executive.

"He came with the idea of doing preliminary work for Jackson," Curry said.

Edward Lee Allman, president of the McGraw-Edison Co., Manchester, N.H., said Kreisman was with the executive when the three met to discuss Jackson's chances:

"They were looking for an expression from us on whether Jackson could win support. We had the impression that he (the former Boeing executive) was on a leave of absence," Allman said.

Kreisman later contacted him regarding Jackson's campaign, Allman said. Jackson later decided not to enter the New Hampshire Democratic primary.

The executive has told The Times that he assisted Kreisman in obtaining a list of business people who would be interested in supporting Jackson. That list was received by Kreisman, according to a letter he sent to the executive in December, 1971.

Earlier this week, a Boeing Co. spokesman, Pete Bush, said that Boeing does not contest that the former executive was in New Hampshire.

He said the executive was there on company business. Any work the executive did for Jackson would have been on his own time, Bush said.

"No original documents related to his trip make reference to the senator," Bush said. "If he did not carry out his business assignment, he is directly contradicting his own statements to us as well as the travel-expense form which he signed," Bush said.

The executive said his forms indicated company business because he was told to do so in order to "cover" the political assignment.

(17)

Suspended, reassigned

Boeing punishes 5 after probe

by RICK ANDERSON
and LOU CORSALETTI
Times staff reporters

A Boeing Co. investigation has confirmed the "apparent" breach of national security involving company mishandling of top-secret defense documents last year, Boeing revealed yesterday.

The results of the investigation were reported in the company newspaper, Boeing News, and confirmed last night by Pete Bush, Boeing spokesman.

Five employees implicated in a 10-month-long Defense Department investigation into the apparent breach have been disciplined, the company stated.

The five, whose security clearances were lifted last month by the government, have been suspended, reassigned and, in some cases, have received substantial pay cuts, Boeing said.

A sixth employee was cleared by its investigation, the company stated.

The company investigation also found, confirming an earlier Pentagon probe, that several of the employees initially misled the government investigators and Boeing as well.

The Pentagon began its investigation in March, 1978, after discovering that top-secret informa-

tion on the MX missile program had reached Boeing's hands.

Government investigators revealed that some Boeing officials had been involved in improperly obtaining the secret data, then transmitting it by telecopier from Washington, D.C. to Boeing offices in Kent.

Intelligence experts said the transmission could have been intercepted by Soviet intelligence agents who, it is thought, regularly monitor some defense and corporate communications systems.

Two of the five disciplined employees, the Boeing paper reported, and Bush confirmed, have, on the advice of their attorneys, refused to testify or answer questions from either Boeing or government investigators.

Boeing has asked the Defense Department to reinstate the security clearance of the sixth employee, a secretary in the Washington office, who was cleared by the company investigation.

Of the remaining five, the government earlier identified four of them as Boeing executives.

They are Benjamin Plymale, Boeing Aerospace Co. vice president for marketing; William Jacaway, an assistant to Plymale; Charles Welling, Washington, office manager, and James O'Rourke, a marketing representative in Washington.

Bush would not disclose the names of others referred to in the Boeing paper's story.

The company did state it found no evidence of improper conduct by Robert W. Hager, a Boeing Aerospace vice president whose name was mentioned in Times reports based on the government's investigation.

Boeing officials say they are taking steps to enforce security within the company, including a memorandum from T.A. Wilson, Boeing chairman, to senior managers "demanding" adherence to security rules.

Defense officials earlier this month said Boeing had obtained top-secret information from a classified memo being prepared for President Carter.

The memo discussed whether the administration should build a new land-based intercontinental ballistic missile, the MX, or one of several less costly alternatives.

Boeing, the nation's fourth-largest defense contractor, has done some preliminary work on the MX.

The company yesterday said a summary of its investigation has been forwarded to the Defense Department, whose own investigation has been turned over to the Justice Department for possible action.

(Other details, A 14.)

SEATTLE TIMES - FRONT PAGE 3-23-79

A Canadian member of Parliament said he will continue to press for an investigation into fees paid to a Canadian agent by The Boeing Co. and to determine if the agent paid income taxes on the money.

Allan McKinnon, member of the Progressive Conservative Party and representative from Victoria, B.C., raised the question Wednesday in the House of Commons in Ottawa.

McKinnon is his party's defense critic to the opposition majority party, the Liberals. As such, his responsibility is to question any action taken or proposed by the Canadian Minister of Defense.

McKinnon asked Minister of Revenue Tony Abbott if his special investigative section has done, or is doing, an investigation into "the matter of admitted payment to a Canadian agent" by Boeing.

to the Canadian government and private airlines in the early 1970s. He said he is not satisfied with a Royal Canadian Mounted Police investigation which last year found no evidence of a crime.

McKinnon said his concern is whether the agent, whose identity has been protected under a court order sought by Boeing, has paid taxes on the money Boeing paid him.

McKinnon said he was not asking the minister to divulge names.

"But surely Canadians have the right to know if the taxation department sleuths are investigating this case, or if alternately the minister's department is doing nothing, or worse yet, if the case is embarrassing to the government and they are stonewalling it deliberately," McKinnon said.

Abbott responded:

He added that it was against Canadian law to divulge whether his department is conducting an "examination" of a citizen or corporation and that he could not disclose that information in the House of Commons.

Evidence of fees paid to the Canadian agent came to light last July in a report by the United States Securities and Exchange Commission, which outlined a complaint against The Boeing Co. regarding reported inadequate disclosure of payments made abroad in connection with sales of airplanes. The S.E.C. began the investigation into overseas payments in 1975.

Although payments made in several countries were described in detail, the Canadian sales were discussed only generally.

McKinnon also was critical of the "mutual

agreement" between the two countries. He said the government would release information on the matter without consent of both sides. Only enforcement agencies would have access to information.

Some members of the House of Commons questioned the pact in 1977, McKinnon said. The government, however, would only state that it was necessary to ensure a better flow of security information between the two countries, he said.

Both McKinnon and G.W. Baldwin, another Progressive Conservative House member, called the pact a "coverup."

Baldwin further accused Ottawa and Washington, D.C., of placing a "lid" on parliamentary and judicial investigations.

Transmission exposed secret data to spy 'tap'

by RICK ANDERSON
and LOU CORSALETTI
Times staff reporters

There were no dark street corners, no cloak-and-dagger assignations, no sleazy bar girls dropping tiny pills into drinks. The jetmobile with seat ejector and tailgun presumably remained parked in a cave somewhere.

The kind of espionage trap the government says The Boeing Co. got itself into was not the stuff of popular fiction.

Were Ian Fleming or other spy novelists to try, they might find a touch of madness to it, a battle of moonbeams, a hopelessly diabolical scientist, perhaps, or a computer or two that goes clunk in the night.

But what supposedly ensnared Boeing, leading to what the Pentagon asserts was a breach of national security, is what intelligence agencies believe to be the serious, sophisticated network of nuclear-age espionage.

It is waged mostly in the silence of space — top secrets being plucked by governments from microwave transmissions, bounced off satellites, flashed to receivers and finally, spilled onto spinning magnetic tapes locked away be-

Boeing's case, and although six company employees had their security clearances lifted pending an investigation, no formal charge has been made against any of them.

The company's own investigation, completed last week, resulted in disciplinary action against five employees. The action included suspension, reassignment and, in some cases, reduction of pay.

Boeing said its investigation "confirmed the apparent breach of security" and that "mishandling" of sensitive material did take place.

IT WAS NOT, Pentagon officials suggest, simply an instance of the company apparently obtaining top-secret missile data through improper channels last March.

Boeing assertedly acquired the data, for planning and developmental reasons, from an Air Force lieutenant colonel who himself had supposedly been given the "bootlegged" data by a Boeing employee on loan to the Defense Department.

Air Force Brig. Gen. Guy Heckler said a week ago that Boeing, the nation's fourth-largest defense contractor, probably could have obtained the data through normal

missile in question, the MX, said contractors "have a right and a need to know what we're doing and the mechanism allows that flow of information."

But the situation was compounded, officials say, when the data — notes made from the top-secret documents — was sent from Boeing's Washington, D.C., offices to the offices of its non-commercial division, the Boeing Aerospace Co., across the nation in Kent.

The data did not travel the accustomed way — first-class, courier style; locked in a briefcase chained to the wrist of a security-cleared messenger.

Instead, Defense says, it was sent by telecopier computer, a telecommunications system that transmits and receives printed words and images.

In part, the secret data was sent over the normal telephone land network. Officials suggest this compromised the data by subjecting it to possible line-tap interception.

AT ONE OR more points, the transmission also became airborne.

Officials of the American Telephone & Telegraph Co. in New York could not be specific, but said a long-distance relay from

least one time, possibly more.

The transmission at that point becomes akin to a radio wave, taking flight from a microwave sender to a microwave dish hundreds of miles away.

Somewhere between these two points, intelligence experts say, foreign agents hone in.

Computers are used to intercept thousands of constant transmissions, detecting particular signals that — if voices are to be heard — then require a manual interception.

But, the experts say, easiest of all to tap is the telecopier relay.

While a computer can't "hear" a voice transmission, it can tap and record the message sent by another computer, in this case, the telecopier.

United States officials say foreign agents, principally those of the Soviet Union, regularly attempt to listen in to the calls of the government and business corporations of America, seeking both military and economic intelligence.

They assume, without apparent direct proof, such was done in the case of the Boeing transmission. At least the threat was there, they say.

Intelligence sources say the Russians have installed assorted

Francisco and Chicago, and even tap from afar in Cuba.

A.T. & T. LAST week said it has no evidence that such eavesdropping goes on. A spokesman said the government never has called to its attention a single instance of foreign agents tapping transmissions. "But," he said, "this is not to say it hasn't occurred."

Jim Moznette, of A.T. & T.'s subsidiary, Pacific Northwest Bell, said in Seattle that microwave interception requires equipment and expertise that, logically, only a government could assemble.

"There are millions and millions of conversations going on," said Moznette. "It's almost impossible to pull off. Now, when you tap into a cable or line, obviously that kind of thing goes on, and I'm speaking mainly about someone locally, for instance, tapping into someone else's line."

"We feel the microwave system is pretty safe in that respect. But, yes, a large government-type outfit or entity could, with a large investment in time and people and money, possibly bring it off."

Much of the government's knowledge of the espionage practices of foreigners actually comes from the United States spying on them. And what the Russians pre-

THE LITTLE-KNOWN (but \$1.3-billion budgeted) National Security Agency is reputed now to be Washington's single most important source of intelligence.

Its extraordinary snooping skills include having for years monitored, by satellite interception, the telephone conversations between the limousines of Soviet leaders and their Kremlin offices.

Intelligence officials distinguish between the Russian and American espionage systems by crowning the United States for its advancement in technology; the Soviet system remains predictably proletarian, requiring more men than machinery to function.

It does not, however, make Soviet agents any less of a threat.

"I'm not speaking strictly of the Boeing allegation," said Pacific Northwest Bell's Moznette, "but we've had a number of contacts and conversations over past years with the federal government about this kind of thing. We've done investigations, and we're concerned."

"We've not been able to determine it's happened. But this is not to say it didn't. Or that the Russians aren't doing it."

Said a Boeing official: "We don't have any proof it happened. But, apparently someone, some-

2 Boeing contracts involved

SEATTLE TIMES - FRONT PAGE 3-25-79

Defense work shows 40% overrun

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by DEAN KATZ

Times Washington Bureau

WASHINGTON — Costs have increased a dramatic 40 per cent over original estimates on present major defense projects under contract by the Department of Defense, Pentagon documents show.

Translated into dollars, it will cost \$87.5 billion more than originally planned to complete work on the 55 major weapon systems now being developed and built for the Department of Defense.

The costs of completing the weapon systems have jumped from an original combined estimate of \$145.3 billion to an estimate of \$232.8 billion.

In some instances, costs are expected to more than double by the time the projects are completed.

In one case, the Air Force's E-4 Advanced Airborne Command Post program, in which The

Boeing Co. is the prime contractor, is expected to be 185 per cent more than the original development estimate made in 1974.

Other examples include:

— The Navy's Phoenix air-to-air missile which is estimated to cost 116 per cent more than original estimate of \$536.4 million. It now is estimated at nearly \$1.8 billion. Hughes Aircraft Co is the contractor.

— The Air Force's F-15 airplane, which is estimated to cost 81 per cent more than the original development estimate of \$7.3 billion. McDonnell Douglas is the prime contractor for the air frame.

— The Navy's Sparrow air-to-air missile, which is projected to cost 250 per cent more than originally estimated. The original development cost was projected at \$453.6 million. The missile is being built by General Dynamics and the Raytheon Corp.

Most of the original estimates

The espionage trap which the government says Boeing got itself into involves what intelligence agencies believe is a sophisticated spy network. A 22.

were made in the late 1960s and early 1970s. Since then, inflation has risen rapidly and, as a result, Pentagon officials are quick to point out, so have the costs of the weapon systems.

When cost increases for the military projects are figured in "base year dollars" — that is, excluding inflation — increases still averaged 17 per cent.

And a Pentagon document known as Selective Acquisition Report (S.A.R.) cost summary shows that original estimates for completion of the major weapon systems included an average 30 per cent "projected escalation" allowance to cover inflation.

(Both figures for cost growth are adjusted for changes in quantity.)

Although Pentagon officials point to inflation as a key culprit in the rapidly rising costs, the General Accounting Office, the investigative arm of Congress, noted in a recent report there are other reasons.

The G.A.O. study of major federal acquisition programs, including defense, said: "unanticipated development difficulties... faulty planning, poor management and poor estimating will increase the costs of major acquisitions."

Dale Church, deputy undersecretary of defense for acquisition policy, said in an interview last week that schedule changes ordered by the President or Congress also can drive up costs of military projects.

He conceded, however, that there is a tendency on the part of military officials to underestimate the original costs of weapon systems they are promoting because

(Continued on A 22.)

Inflation blamed for defense-contract overruns

TIMES 3-25 (Continued from Page 1.)

"naturally, they know it can be sold better if it is cheaper."

HE SAID THE military also tends to underestimate the original costs of building weapons systems because contractors will drive up the cost of the contract if they know there is a large contingency fund available.

Church acknowledged the result is that it "creates a worse perception" for the public about the job the Defense Department is doing in holding down costs.

Church said a recently completed preliminary study by the Rand Corp. showed that cost overruns on military programs have gone down from an average of 40 per cent in the 1960s to 20 per cent so far this decade.

In a letter sent recently to President Carter, six members of the United States Senate, including George McGovern, Mark Hatfield and William Proxmire, said there are very concerned about the massive growth in costs for military programs.

"Runaway costs characterize the entire defense procurement program," the senators said, adding that "something is very wrong with the manner in which the Department of Defense spends the taxpayers' money."

Senator Warren G. Magnuson, Washington Democrat and chairman of the Senate Appropriations Committee, said last week he, too, is concerned about the rapid rise in costs. He said his committee would "look carefully" at each future request by the Pentagon for additional funds to complete existing defense projects.

PROXMIRE AND the other senators based their letter to President Carter on the S.A.R. cost summary, put out quarterly for the benefit of Congress.

The document summarizes the costs of the major military programs and gives the general reasons for increases.

Most of the higher costs are attributed to inflation, scheduling changes, engineering modifications or quantity changes.

But only a small portion is blamed on contract cost overruns.

during an investigation by The Times, a substantial cost overrun on a major military project involving The Boeing Co. appeared in another category used to justify cost growth.

A Pentagon official, Lt. Col. James R. Patrick, told The Times the overrun — which totaled \$113.3 million — resulted from problems in integrating a highly sophisticated radar system into Boeing 707 airplanes being constructed for the Air Force's Airborne Warning and Control System (AWACS).

Boeing is the prime contractor on the project, Patrick said.

Instead of being classified as an overrun, the cost increase was categorized in the S.A.R. cost summary as a higher cost due to a "schedule" change.

Patrick, the Air Force program-element monitor for the AWACS program at the Pentagon, said the overrun, which occurred between 1974 and 1976, was classified as a schedule change rather than a cost overrun because it delayed the production schedule for the aircraft.

He said that if an overrun can be classified into another category, such as scheduling, it is not reflected in the cost summary as an overrun.

In fact, the cost summary indicated that the AWACS program had an overrun of \$2.2 million.

THE PRESENT estimated completion cost of the AWACS program is 54 per cent above the original estimate made by the Pentagon in 1970. Exclusive of additional funds to cover inflation, costs on the AWACS program are estimated to rise 22 per cent.

Originally, the Pentagon figured it would cost \$2.6 billion to build 42 of the AWACS planes (including a \$510 million "projected escalation" allowance), which were designed to detect low-flying enemy planes and to serve as flying defense command and control centers.

The present estimate by the Pentagon is that 34 of the planes will cost \$4.1 billion to complete.

Originally, the planes were to have cost \$63.4 million each, but they now are estimated to cost nearly double that — more than \$122 million each.

Patrick said most of the \$1.5 billion increase was attributed in the S.A.R.

and inflation because of congressional delays in authorizing spending for the AWACS according to the schedule originally planned by Boeing and the Pentagon.

But Patrick confirmed that apart from the cost increase attributed to the schedule was the cost overrun stemming from the radar problem.

Patrick said that although the overrun totaled \$113.3 million, only \$68 million of the overrun was reflected in the cost summary submitted to Congress, because Boeing and Westinghouse, the subcontractor which designed the radar for Boeing, paid the rest of the unanticipated higher cost.

PATRICK SAID Boeing absorbed about \$17 million of the overrun, Westinghouse absorbed \$28.3 million, while the taxpayers were stuck with the rest — \$68 million.

Maj. Gen. George Rutter, manager of the AWACS program at the Air Force's Electronics Systems Division at Hanscom Air Force Base, Mass., confirmed that the cost overrun occurred.

Patrick said the overrun was due to Westinghouse "underestimating the technical difficulties" of integrating the radar system into the Boeing 707 airframe used for the AWACS planes.

Asked whose responsibility the overrun was, Patrick said: "The overall responsibility rests with Boeing. The individual responsibility rests with Westinghouse. I guess you could say it was Boeing's responsibility because it was the integrating contractor."

Another major Boeing defense project designed for the Air Force, the E-4 Advanced Airborne Command post, is another instance in which costs have risen dramatically.

In 1974, the Pentagon estimated it would cost \$484.3 million (including a \$41.4 million projected escalation allowance) to build seven of the planes, designed to serve as national emergency command posts in the event of war. The estimate now is that only four of the planes will cost \$482 million.

The program, according to the S.A.R. cost summary, has sustained cost-growth increases of 185 per cent (adjusted for quantity) including

mate. The increase was one of the highest for a military project reported on the cost summary of major weapons systems.

EXCLUDING INFLATION, the cost of the E-4's has gone up 66 per cent. The higher costs were split about evenly between the category defined as "schedule" and the category defined as "estimating" changes. Some of the increase also was attributed to engineering changes, although none was blamed on cost overruns.

The E-4 planes, according to a General Accounting office report, originally were estimated to cost \$69.2 million each, but will now cost more than \$120 million each, based on latest estimates.

A Boeing spokesman, Pete Bush, said he could not comment on the cost increases or the reasons for them on either the AWACS or the E-4 program because Boeing's response would have to await a lengthy Defense Department approval process. He said there also were instances of cost underruns but he couldn't comment on them for the same reasons.

However, Lt. Col. Eugene Larson, Air Force program-element monitor for the E-4 project at the Pentagon, told The Times last week that "there was a very substantial error in estimating what the (E-4) program would (cost)" by both Boeing and military officials.

Larson said he did not know exactly how much of the higher cost was attributed to the "error in estimating," although the cost-summary document showed that the category defined as "estimating" contained an \$85 million cost increase.

"It wasn't one specific item" that drove up the cost, said Larson. "It was the entire concept of the plane and the integration of both newly developed and government-furnished equipment" installed in the plane.

LARSON SAID the Defense Department's original contract with Boeing was renegotiated because of the higher costs.

Efforts to get more detailed information on the reasons for the increases

In summarizing the E-4 program problems, Larson said: "Boeing had some very red faces. I know there were a lot of problems."

Following a subcommittee hearing last week on the Air Force's budget request for next year, Lt. Gen. Thomas Stafford, the former astronaut who now is deputy chief of staff for research, development and acquisition, said he was not familiar with the cost increases on either the AWACS or E-4 program.

A Pentagon budget official, disagreeing with Church on the matter, said that in some cases the Defense Department has asked Congress for more money, than a contractor estimates it will cost to complete a program. That way, if there are overruns, the Pentagon does not have to face the embarrassment of having to come back to Congress and ask for more money, said the official, who asked not be identified.

The officials said that kind of budgeting practice may not be as forthright as it should be, but it is "realistic."

Senator Magnuson said his committee staff has become "very conscious" of the substantial cost growth in military programs over the past few years.

He said the Pentagon has "a peculiar internal financing system that may not always reflect the true costs of military programs."

In some cases, Magnuson said, the Defense Department may be using surplus money in its budget as "a cushion" to protect itself in the event of cost overruns, thereby avoiding having to ask Congress for additional money.

"I think they (Pentagon officials) are playing games with us by not specifying what might be an overrun and what might not be," said Magnuson.

Magnuson said he isn't sure to what extent the Appropriations Committee can cut overall cost growth, but he said his committee can try to get a handle on cost overruns and put pressure on the Pentagon "to be more honest with us."

Magnuson said he was "glad" The Times was examining the large growth in costs.

"Although we knew about this, there never has been any specific publicity

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Boeing jet sale in Netherlands under probe

TIMES
3/27

by RICK ANDERSON
and LOU CORSALETTI
Times staff reporters

The Securities and Exchange Commission's renewed look at some Boeing Co. overseas payments has included a review of a \$50,000 payment made in connection with a 1973 jetliner sale in The Netherlands, government and industry officials say.

The S.E.C. also has studied an asserted \$5,000 money "funneling" incident in Europe.

Both Boeing and its federally ordered special review committee, represented by an S.E.C.-designated counsel, Albert Brown of San Francisco, say there has been no new evidence to disprove earlier findings of no wrongdoing.

Although the asserted-money-funneling review apparently has been completed, The Netherlands sale still is being studied.

Brown said he only recently had heard about a Boeing overseas salesman who says he set up The Netherlands transaction.

The salesman told The Times in an interview that he helped arrange a \$50,000 payment in connection with the sale of a Boeing 737 to Transavia Holland, a Dutch charter line.

The salesman said the payment was requested by an official of the airline and was to be paid to the son of an Amsterdam bank president, through a Swiss bank account.

The son then would arrange financing of the \$6 million sale through his father's bank, the salesman said.

"The (airline official) said he could persuade the son to obtain the financing if the son was given the money," the salesman said.

LATER, AFTER the sale was completed, the salesman said the airline official told him that the \$50,000 payment was made to the numbered Swiss account.

Although the salesman characterized the payment as questionable, Brown said previous investigation has shown it to be proper.

Brown said money was paid to the son as a consultant to arrange the financing through his father's bank.

He said Boeing, airline and other personnel were questioned about the payment, and all denied

any improprieties.

The Boeing Co., in a statement released last week, said:

"The facts of that transaction long have been known by the S.E.C., they were reviewed by the special review committee and the conclusion reached was that there was no evidence of a payoff, kick-back or any other improper payments in connection with the transaction."

The salesman said he has never been interviewed by Boeing, S.E.C. or any other agencies on the details of the sale he arranged.

He said he is willing to give those details to the S.E.C.

Sigfried Schoedel, S.E.C. attorney in Washington, D.C., said he was interested in talking with the salesman.

Brown, whose committee was established as part of a Boeing-S.E.C. court agreement last year to review the company's overseas payments, also expressed interest in talking with the salesman.

"Our records indicate a fee was paid for arranging the financing," Brown said, "and that the fee went to a Swiss account. That, by itself, is not illegal."

PAYMENTS TO consultants who arranged financing were questioned as part of the S.E.C.'s original charge that Boeing failed to properly disclose details of \$52 million in overseas payments.

Brown said his committee had found nothing illegal in any of the financial-consulting deals they reviewed. He said he still was studying the "funneling" accusation, but "all the people named deny it" and he has no more new evidence to pursue.

Brown late last week said he was preparing a report on the latest review for the S.E.C. in Washington.

Officially, his review committee, composed of three Boeing Co.-board members, completed its work in February with publication of its final report, stating no further investigation of the company was necessary.

"Obviously," Brown said last week, "you can't say we've closed up shop yet, since I'm still looking at these other things." The S.E.C. in Washington said it was in the process of "reviewing the review" of the committee.

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TIMES FRONT PAGE 4/5/79

2 Japanese indicted over plane sales

by RICK ANDERSON
Times staff reporter

Two executives of a Tokyo consulting agency representing American aerospace firms, including The Boeing Co. of Seattle, were indicted yesterday for foreign-currency violations, the Japanese government announced.

There were conflicting reports out of Tokyo as to the source of the money the government says was covertly and illegally transferred into Japan from the United States.

The Associated Press said the two executives of Nissho-Iwai Trading Co. were charged with illegally shifting \$300,000 to Tokyo from a California bank, where the money was kept under a fictitious name.

The \$300,000 was said to be part of a \$1.05 million "special commission" received from Boeing, the A.P. reported.

United Press International in Tokyo said the executives were

indicted on charges they tried to cover up payment of a \$1.05 million commission given by McDonnell Douglas in 1976.

Nissho-Iwai, one of Japan's major trading firms, represents Boeing, Douglas and the Grumman Corp. as a sales agent in the Far East.

A Boeing Co. spokesman in Seattle today said the company was not directly involved in the charges.

"Japanese authorities are aware Boeing is no more than a bystander in this," spokesman Pete Bush said.

The indictments, part of a renewed investigation into possible political payoffs that, in past years, rocked the country and toppled a government, came two days after the arrest of another Nissho-Iwai official who was linked with a \$3.6 million Boeing commission.

That official, Hachiro Kaifu, a senior executive, was held in con-

(Continued on A 11.)

2 indicted in Japan over plane payments

(Continued from Page 1.)

nection with a reported government investigation into possible tax evasion involving the commissions paid over a period of years for a \$66 million sale to Korean Air Lines.

A Japanese newspaper reported the government was investigating the possibility that a letter from a Boeing Co. executive, R.W. (Dick) Welch, written in January, 1977, to Kaifu, may have been an attempt to establish makeshift evidence to avoid paying taxes on the \$3.6 million.

There were indications that the money, which Boeing earlier said had gone to the consulting firm to be given to the Korean airline, instead stayed in Japan and was not declared for tax purposes, the government said.

The Welch-to-Kaifu letter stated the payments were destined for points outside Japan, and apparently thus not taxable.

Boeing, in its report to stockholders last year on that and other overseas payments that had been questioned by the Securities and Exchange Commission, gave no reason for giving Korean Air Lines \$3.6 million after the private line had just bought a number of 707s and 747s from Boeing.

Nissho-Iwai earlier last month contended it did forward the payment, calling it a "rebate," saying it was given back to the Korean airline to "ensure" the Boeing sale.

That payment was not mentioned in connection with the indictment yesterday of Shoichi Yamaoka, head of Nissho-Iwai Co.'s aircraft department, and his deputy, Juiiro Imamura.

The Boeing payment came to light after the government in January began a new look into possible political payments because of disclosures by the Grumman Corp.

When Nissho-Iwai had difficulty in accounting for the Grumman money, investigators turned to the Welch letter, which had been written to satisfy the S.E.C. investigation.

The Associated Press said a Japanese newspaper, the Mainichi, gave four reasons investigators were reportedly suspicious of the letter as well as a consulting-agreement receipt:

- Both documents appeared to have been made after the consultant agreement was signed, and the letter and receipt appear to have been made at the same time.

- The Welch-Kaifu exchange of letter and receipt accounted for a total of \$3,732,378, but the money the S.E.C. found in its investigation came to \$3,623,500, leaving \$108,878 unaccounted for.

(In its disclosure report to stockholders as required by a federal-court settlement with the S.E.C. last year, Boeing listed the payment as \$3.6 million to the consulting firm.)

- Nissho-Iwai said it made the payments — the airline rebates,

million.
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— The Welch-Kaifu exchange of letter and receipt accounted for a total of \$3,732,378, but the money the S.E.C. found in its investigation came to \$3,628,500, leaving \$103,878 unaccounted for.

(In its disclosure report to stockholders as required by a federal-court settlement with the S.E.C. last year, Boeing listed the payment as \$3.6 million to the consulting firm.)

— Nissho-Iwai said it made the payments — the airline rebates, apparently — to a person identified only as Mary Lee, nationality unknown.

— Nissho-Iwai's accountant found the exchange of letter and receipt suspicious and began an its own investigation at the time.

Japanese officials in the past have looked into Boeing overseas payments, finding no wrongdoing.

A government official in 1977 estimated Boeing's "questionable" transactions in Japan at \$16.7 million, and the country's transport minister once said Boeing had contributed the difference on a sales-price cut to some Japanese politicians.

Japanese tax officials also had investigated a reported \$547,000 payment from Boeing to All Nippon Airways, which the airline apparently failed to report for tax purposes. Boeing had said the money was for routine advertising and promotion costs in connection with a plane sale.

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Two Sales Agent Aides In Japan Are Indicted On Currency Charges

TOKYO (AP)—Two officials of a Japanese sales agent that represented Boeing Co. and Grumman Corp. were indicted on charges of violating Japan's foreign-currency laws in an investigation into alleged payoffs to Japanese politicians.

The charges were filed against Shoichi Yamaoka, head of Nissho-Iwai Co.'s aircraft department, and his deputy, Yojiro Imamura. It came three days after the arrest of Hachiro Kaifu, a senior executive in charge of the Japanese trading company's aircraft sales in Japan and South Korea.

A fourth executive plunged to his death earlier this year from the office of a company affiliated with Nissho-Iwai. The executive had been scheduled to appear on the day he died before a parliamentary committee investigating alleged payoffs.

"Special Commission"

The two trading company employees indicted were charged with violating Japan's foreign-exchange laws by transferring to Japan, without permission, \$300,000 alleged to be a portion of a \$1 million "special commission" received from Boeing and kept by Nissho-Iwai under a fictitious name in a bank in California.

In Seattle, a Boeing spokesman said Nissho-Iwai has been the company's longtime sales agent for commercial aircraft in Japan and occasionally has been involved in sales to other Southeast Asian countries.

"The Japanese authorities are aware," he added, "that in this case, Boeing wasn't any more than an innocent bystander. We have nothing to do with what they did with any money we paid them" as commissions.

In a report that Boeing filed with the SEC last July, the company told of \$3.6 million that it paid to a Boeing "consultant" at the request of "the principal owners of a privately owned airline in Korea." The payment was "in connection with" \$66 million of aircraft sales to the airline, and the Boeing employees who authorized it "understood it would be used by the airline or the owners of the airline for airline or airline-related purposes," the report said.

The report added that, at the request of an employee of the same airline, Boeing made a separate \$87,000 payment to the same consultant "for the account of that employee."

Prosecutors began their investigations of Nissho-Iwai in early January after a U.S. Securities and Exchange Commission report on payments overseas to government officials by Grumman was made public in Washington.

"Office Expenses"

Investigating authorities said they are looking into \$2.4 million in "office expenses" received by Nissho-Iwai from Grumman.

The SEC report on Grumman indicated that payments to government officials may have been made through an American consultant working in Japan on behalf of the aircraft company.

At first, Nissho-Iwai officials denied the contents of the report but executives later said that a secret contract existed between the company and a consultant under which 40% of the Japanese concern's commissions would go to the consultant. The SEC document indicated Grumman executives suspected some of the 40% might be passed on to Japanese government officials.

WSJ 4-6-79

Plane-sale probe turns to politicians

TIMES 4-7-79

by RICK ANDERSON
Times staff reporter

Japanese authorities yesterday were reported to be investigating the possibility that a Tokyo sales agency gave parts of a newly revealed \$1.5 million Boeing Co. commission to Japanese politicians.

There was no indication by authorities that The Boeing Co. had any direct knowledge of or participation in the suspected political payoff by its Far East sales agency, Nissho-Iwai Trading Co.

Boeing previously has denied making any illegal overseas payments and said it could not be responsible for how its commissions were spent by its consultants. A Boeing spokesman says the Seattle aerospace company is just "a bystander" in the Tokyo investigations.

Japanese authorities have arrested or indicted three officials of Nissho-Iwai, which also is sales agent for Grumman and McDonnell-Douglas.

One of the arrests was an-

nounced in connection with a tax investigation over a \$3.6 million commission paid by Boeing to Nissho-Iwai as part of a \$66 million sale Nissho-Iwai helped arrange with Korean Air Lines.

United Press International in Tokyo yesterday said the real purpose of the arrest was to allow authorities the opportunity to question the trading-company executives.

Another Nissho-Iwai official plunged to his death earlier this year hours before he was to appear before a parliamentary committee investigating the payments.

Another executive appeared before the committee, but refused to testify.

The committee and Japanese prosecutors are trying to find out if the country has a major scandal akin to the 1976 Lockheed bribery revelations that resulted in the arrest, and current trial, of former Prime Minister Kakuei Tanaka, accused of receiving \$1.5 million in payoffs.

The present investigation is focusing on Nissho-Iwai, which, according to a spokesman in the company's Seattle office, is Japan's sixth-largest trading company, has about 150 offices around the world handling imports and exports and deals in almost "every kind of commodity imaginable." A major export the firm handles here is logs, the spokesman said.

U.P.I. in Tokyo says investigators are looking not only at the earlier-reported \$3.6 million Boeing commission to Nissho-Iwai, but also at a \$1.5 million commission given on the sale of seven 747SR superjets to Japan Air Lines.

Authorities said the trading company did not properly account for the money in its books and kept \$850,000 under a fictitious name in a Los Angeles bank account.

The money was withdrawn from the bank in 1976, but officials in Tokyo have not been able to determine where \$470,000 of it has gone.

Nissho-Iwai said the money was spent in the Middle East and Indonesia, but investigators have said they doubt the company's story.

Authorities say the trading house also has failed to adequately account for some of the \$2.38 million it received from McDonnell-Douglas as reimbursement for "office expenses." The Associated Press previously reported erroneously that the Grumman Aircraft Corp. was the alleged source of the \$2.38 million.

And, U.P.I. said, investigative sources said Nissho-Iwai was suspected of being involved in payoffs to Japanese politicians in connection with its business on behalf of Grumman.

The three Nissho-Iwai executives are being held in Kosuge Detention House in northeast Tokyo, undergoing daily questioning that often lasts from morning until night. No political figures so far have been taken into custody.

The Nissho-Iwai spokesman in Seattle said he was not familiar enough with the Japanese case to comment on it.

23

'Fraud theory' in Boeing probe

by RICK ANDERSON
Times staff reporter

Combining the resources of a grand jury, foreign police, international agencies and world courts to unearth details of The Boeing Co.'s overseas payments, the United States government is attempting to develop what officials privately term a "fraud theory" against the aerospace firm.

Boeing, which in earlier civil-court settlements with federal regulatory agencies, neither admitted nor denied making illegal foreign payments, now faces a persistent Department of Justice task-force investigation into possible criminal violations over the circumstances of the multi-million-dollar payments.

The Boeing Co. has resolutely contended that none of its overseas payments in the 1970s was illegal, and points to its unique standing among dozens of American firms whose payments have been questioned by authorities.

"We are one of the very few firms which has contended it hasn't made any illegal overseas payments," says a company spokesman. "We refuse to concede that any of our commission payments were illegal."

A Justice official, without elaboration, confirmed the "fraud theory."

Another, nongovernmental, attorney with direct knowledge of the case, who has talked to witnesses and seen documents subpoenaed by the Washington, D.C., grand jury, told The Times the "fraud theory" is based on several contentions held by the Justice Department.

Simply put, the attorney said, if money was paid to officials through hidden arrangements to influence plane sales improperly, it could constitute fraud.

The legal theory, the attorney said, would not require emphatic examples of bribery or kick-back, but rather a showing that questionable transactions defrauded people or nations of the honest services of their officials.

ANOTHER FIGURE familiar with the "fraud theory" says it includes a more direct "conspiracy" angle, as evidenced last week with news of the government's attempt to track a \$3.6 million Boeing commission through Europe and the Middle East.

Assistance by foreign nations . . . is playing an important role in the Justice Department's task-force probe of overseas payments . . .

try's reputation, mailbox companies are set up by foreign businessmen or firms to serve frequently as a front for questionable deals or evading taxes. Some companies have been found to consist of nothing more than a nameplate and a letterbox to pass on mail.

Last week the little nation proposed new laws for stricter control of the companies. While all are legally registered, no lists have been published; even their number is a mystery. Some residents say there are more companies than there are Liechtensteiners, who number 24,000.

IN A REPORT the Securities and Exchange Commission required it to make to shareholders last year, Boeing said it was assured by the Middle East Airline official that the \$3.6 million did not benefit any airline employees. But Boeing could not say to whom the money actually went.

"The beneficial owner or owners of the Liechtenstein corporation were not then and are not now known to the company," Boeing said.

The Seattle company gave no reason why it was "necessary" to make the \$3.6 million payment, or deposit it in a numbered account destined for persons unknown.

Today, however, the government apparently is trying to answer those questions in Switzerland, where last week a federal Supreme Court ruled a Swiss bank had to divulge information regarding account No. 188392.

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Nineteen nations have signed mutual-assistance pacts with the United States to trade investigative information on the payments. Nine countries have signed up specifically to trade data on the Boeing transactions.

(A 1977 study reported that 288 American companies disclosed making nearly \$412 million in questionable overseas payments between 1970 and 1976. The Boeing Co. led the list, compiled by Charles E. Simon & Co., although Boeing insisted its \$70 million in payments on \$5.5 billion in sales involved nothing questionable.)

The information swapped internationally includes the names of some sales consultants whom Boeing had fought to keep a corporate secret. With the backing of then Secretary of State Henry Kissinger, who believed disclosure would not be in the national interest, Boeing obtained a court ruling that the foreign consultants' names were proprietary.

The information traded in the mutual-assistance agreements is publicly non-disclosable and to be used for investigative purposes only — but the names of some of the consultants have leaked out, in a roundabout way, through criminal charges made in other lands.

Acting at least in part on information supplied by the United States, three foreign nations have made accusations against nine public officials and middlemen of bribery and other illegal acts directly and indirectly related to Boeing sales.

THE COMPLAINTS, filed within the past five to eight months, do not include a tenth person investigated by a fourth nation, in 1977. That case has since resulted in freedom for the man, an airline official who Boeing admits was on a company retainer.

That official, Jose Antonio Pigna, an executive with Viasa, the national airlines of Venezuela, was accused in January, 1977, of collecting a

public official, and were advised he was neither."

The Venezuelan embassy in Washington, D.C., last week said Pigna was held, investigated and later released after lack of evidence to prosecute. "He is a free man, walking the streets of Caracas today," said an embassy official.

THE MOST RECENT case filed involving Boeing payments came last November when the Egyptian government indicted two former cabinet ministers and three top airline officials for bribery and negligence.

A government attorney in Cairo, Anwar Seili, said a man named Helmy Shams, one-time technical adviser to the national airlines, Egyptair, was accused of accepting \$125,000 in bribes from The Boeing Co.

The government said Shams received the money for issuing a misleading study that urged purchase of Boeing aircraft.

The trial of the men is now in recess. Said Bush, Boeing's spokesman, last week:

"We acknowledged well over a year ago that Shams was retained as a consultant, that he had held responsible government and airline posts — though, not as far as we could ascertain, at the times we retained him — that the agreements with him were legal and that no one knowledgeable concerning Middle East sales felt that having him as sales consultant was unusual."

The accusation, made in connection with a 1972 Boeing jetliner sale to Egypt, was made along with lesser complaints against two now-ex-government officials, Egyptair's former board chairman, and an ex-airline planning director.

The latter are in connection with loan arrangements made through the international financier, Kidder-Peabody & Co., for \$53 million at 8 per cent interest when, the government alleges, 5 per cent was available with a more favorable repayment schedule.

Boeing's spokesman said the complaints against those men have nothing directly to do with the company's sale — "all they did was arrange financing for the airline."

He added that "any contention (apparently by the government, in this case) that 5 per cent loans were available to Egypt for the purchase of Western equipment, disregarded the facts that were inescapable at the time . . ."

ments have been questioned by authorities.

"We are one of the very few firms which has contended it hasn't made any illegal overseas payments," says a company spokesman. "We refuse to concede that any of our commission payments were illegal."

A Justice official, without elaboration, confirmed the "fraud theory."

Another, nongovernmental, attorney with direct knowledge of the case, who has talked to witnesses and seen documents subpoenaed by the Washington, D.C., grand jury, told *The Times* the "fraud theory" is based on several contentions held by the Justice Department.

Simply put, the attorney said, if money was paid to officials through hidden arrangements to influence plane sales improperly, it could constitute fraud.

The legal theory, the attorney said, would not require emphatic examples of bribery or kick-back, but rather a showing that questionable transactions defrauded people or nations of the honest services of their officials.

ANOTHER FIGURE familiar with the "fraud theory" says it includes a more direct "conspiracy" angle, as evidenced last week with news of the government's attempt to track a \$3.6 million Boeing commission through Europe and the Middle East.

Boeing has admitted it was "advised" by an official of a Lebanon-based airline "that it would be necessary that a \$3.6 million commission be deposited in a Swiss bank account" in connection with what Boeing said was a \$101 million jetliner sale to the airline.

This was an apparent reference to what was announced as (including spare parts and supporting equipment) a \$120 million sale of three Boeing 747s to Middle East Airlines in 1974.

Boeing admitted the money was to be deposited in a numbered account and, upon receipt by the same Swiss bank of advance-sale payments from the company, the \$3.6 million then would be forwarded to what is known as a "mailbox company" in Liechtenstein, the storybook kingdom bordering Switzerland.

The tiny principality, ruled by Prince Franz Josef II, is the home of tens of thousands of such companies. They do not make mailboxes, but do receive some mail.

With a notoriety that has blemished the coun-

IN A REPORT the Securities and Exchange Commission required it to make to shareholders last year, Boeing said it was assured by the Middle East Airline official that the \$3.6 million did not benefit any airline employees. But Boeing could not say to whom the money actually went.

"The beneficial owner or owners of the Liechtenstein corporation were not then and are not now known to the company," Boeing said.

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Asad Nasr, a director of Middle East Airlines — did in fact eventually reach airline employees or others involved in the 1974 Boeing sale, which in part was financed by the government-supported Export-Import Bank of the United States (called Eximbank).

American officials say the Eximbank financing would have been refused had the banking agency been aware of the payment.

The transaction, officials (quoted by the Associated Press) said from Switzerland, "amounted to conspiracy to defraud the United States."

THIS ASSISTANCE by foreign nations — in the Swiss case, brought about by an American-Swiss judicial treaty used to pry open the bank account — is playing an important role in the Justice Department's task-force probe of overseas payments by Boeing and as many as 40 other American corporations.

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That official, Jose Antonio Pigna, an executive with Viasa, the national airlines of Venezuela, was accused in January, 1977, of collecting a \$500,000 bribe on the purchase of a Boeing 737 for the country's President.

A month before the accusation, Boeing had admitted it had retained Pigna as a sales consultant a year earlier, December, 1975. The company said its only sale to Venezuela was the 737 for executive use by its President, but didn't know if Pigna was involved in that sale, which was announced a month after Pigna was officially retained by Boeing.

Although Pigna was involved in Boeing's attempt to sell helicopters to the Venezuelan government, there was never any conflict of interest in that or any plane sale, Boeing reiterated last week.

"Because Mr. Pigna was an officer of an airline in which the government of Venezuela held an interest," said Pete Bush, head of Boeing's corporate public relations, "we sought legal opinion from competent Venezuelan counsel, as to whether he was a government employee or a

purchase of Boeing aircraft.

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Said Bush, Boeing's spokesman, last week: "We acknowledged well over a year ago that Shams was retained as a consultant, that he had held responsible government and airline posts — though, not as far as we could ascertain, at the times we retained him — that the agreements with him were legal and that no one knowledgeable concerning Middle East sales felt that having him as sales consultant was unusual."

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TWO MONTHS before the Egyptian charges were announced, the government of The Sudan made a bribery accusation against a Boeing agent, based on information the country said it had received from the Justice Department.

In that case, announced in September, The Sudan named El Sir Abbas as the recipient of \$680,000 connected with a \$24 million Boeing sale. The Northeast Africa country says the agent deposited the money in a foreign bank account for himself and other Sudanese.

The nation's prosecutor general said the money was over and above the legal commission, and that depositing money in a foreign account was a violation of The Sudan's currency laws.

Apparently, the charges were made in connection with the 1973 sale of two Boeing 707

(Continued on A 23.)

Payment of \$3.6 million 'commission' studied

(Continued from A 22.)

transports to Sudan Airways, the national airline.

In its S.E.C. disclosure report last year, Boeing said it paid \$1.4 million in "fees" to a consultant in connection with sales in Sudan, Pakistan and another unnamed country.

The money, Boeing said, was paid to two Liechtenstein corporations designated by the consultant.

Boeing also revealed it executed two consulting agreements in a number of countries, including Sudan, on other sales.

"In certain instances, payments due were made to a bank account located outside the countries in which the consultant resided," Boeing reported. "In a limited number of cases, payments were made to bank accounts identified by number only."

"In one instance, the company paid a consultant by check, or assisted the consultant in converting a portion of the payment into bearer bank instruments (negotiable currency or paper)."

Boeing, asked last week for comment on the Sudan case said: "A prosecutor asked the judiciary to charge the individual — whom Boeing paid under two separate consulting agreements — with bribery and foreign-exchange violation. We don't know what disposition has been made of the prosecutor's request."

BEFORE THAT charge, in August last year, India investigated three citizens in connection with Boeing sales.

Kekoo Maneckji, named as Boeing's consultant in Bombay, was accused of an unspecified criminal violation the Indian government said was in part based on information received from

the United States Justice Department.

Two of Maneckji's relatives and their business operations also were involved in the accusations. The accusations were made in connection with Boeing sales to Indian Airlines.

Boeing, in its S.E.C. report, mentioned India as among the countries where consultants were in some cases paid through Swiss or Liechtenstein corporations.

Bush, Boeing's spokesman, last week said of Maneckji: "Although a complaint has been issued for a violation of foreign-exchange regulations, no formal charge has been filed. He is free and in the interim we have sold four 747's to India and are negotiating for additional sales."

Bush adds that, of all the accusations made around the world, only two have been for bribery involving Boeing agents, and no one has been convicted.

Specifically on the issue of payments to officials, Boeing said — in February, 1976, after it and the S.E.C. had begun investigations — that the company had made no payments to government officials.

Later, Boeing said officials were paid in "four or five instances."

This was later expanded to the company's "belief" that those officials who were paid were not in a position to influence sales.

A REVIEW OF the company's payment disclosures shows Boeing paid out \$37.1 million from 1971 through 1977 to public officials or political figures or their companies for assistance in overseas jet sales.

That figure is contained in 1978-79 reports issued from Boeing's investigation and review following settlement with the S.E.C., which had

questioned an estimated \$52 million in Boeing overseas payments.

Boeing, in its reports, actually disclosed \$54.9 million in payments, a new accounting shows.

Besides the \$37.1 million in "commissions" paid to public and political figures, an additional \$12.3 million went to persons unknown.

The unknowns include the anonymous recipient of the \$3.6 million paid through the Swiss bank and Liechtenstein on the Middle East Airlines sale.

The remainder was paid as part of a \$137 million sale in Egypt. In connection with that sale, the company said, "the company made payments of \$8.7 million to two Liechtenstein corporations."

"The company believed that such payments were financing fees necessary in order for the customer to receive the financing and that the ultimate recipients of these payments were the persons who arranged or provided the financing."

"However," Boeing admitted, "the company does not know the individuals who were responsible for arranging the financing."

Boeing, also on the Egypt sale, made a \$900,000 payment to another Liechtenstein corporation for the account of a businessman and public official from the United Arab Emirates, a small confederation of Mideast states.

"This payment," Boeing said, "was made to settle a dispute with this individual who claimed he was entitled to a commission on a portion of the sales for arranging the financing."

Boeing also paid \$5.5 million to middlemen, or consultants, it apparently could identify.

Included in that amount was a total of \$3.9 million given in apparent "rebates" to customers

who had just bought Boeing aircraft.

IN CONNECTION with \$3.6 million of that amount, Japanese officials are reported to be investigating a Boeing consulting agency in Tokyo for possible tax violations.

Japanese officials apparently believe the Nissho-Iwai Trading Co. did not declare the \$3.6 million as taxable, indicating they suspect the firm did not pass the "rebate" on to Korean Air Lines, which Boeing says was supposed to receive it as part of a \$66 million sale in 1973.

Boeing has not publicly given a reason for the apparent rebate, and in its S.E.C. report, without naming Nissho-Iwai or Korean Air Lines, stated only that an airline official "requested" the payment be made, and that it would go "for airline or airline-related purposes."

Japanese officials are also apparently inspecting a letter from a Boeing executive to one of now three Nissho-Iwai officials recently arrested or indicted.

The letter states that \$3.7 million, not \$3.6 million, was paid by Boeing to Nissho-Iwai. Officials have so far not explained the apparent \$100,000 difference.

Japanese authorities also say they think the letter and another document were used by the Japanese company as "makeshift" evidence to evade Japanese taxes on the payment.

Besides that investigation — which Boeing says it is only involved in as "a bystander" — and the Justice probe, the company still has not announced results of a long-going dispute with the Internal Revenue Service.

The I.R.S. has advised the company that some of its deducted overseas expenses would not be allowed but the company has not announced any figures.

In nose paintful plane-sale disclosures

by RICK ANDERSON
Times Staff Reporter

The public disclosure of private business was a most somber and reluctant undertaking for America's major aerospace firms this and other years.

Their reports to the Securities and Exchange Commission, to settle accusations of securities-law violations, were generally nameless, blameless articles of blighted revelation.

Yet they were not without some fleeting moments of inspiration.

A "big man," for example, said an employee of the Grumman Corp., Bethpage, N.Y., was someone who carries a bag.

At the McDonnell Douglas Corp. of St. Louis, some of its overseas payments "simply conformed to local custom," which, on the other hand, "could be regarded as extortion" in the United States.

The Lockheed Corp. of Burbank, Calif., gave a "gift" to Prince Bernhard, a member of a Dutch royal family, for which Lockheed "expected no specific benefit or action." The "gift" was \$1 million, deposited in a Swiss bank account.

THE BOEING CO. of Seattle said it paid millions to persons unknown, sent money to consultants' relatives and numbered bank accounts, and noted that its only record of some consulting agreements were receipts, canceled checks or bank transfer instructions. It concluded, "Some of the transactions . . . did not fully comply with company policies."

And at the Northrop Corp. of Los Angeles, a \$250,000 check was given to a Saudi Arabian general to reward his "credibility" by watching its reaction to "this method of payment."

Apparently, the reaction was negative. The check was returned unchanged, a note was drawn for a middleman who, in turn, paid the officer.

In general, the American companies, whose overseas payments had been questioned by the S.E.C., settled with the government to avoid "protracted litigation," their disclosure statements say.

The companies neither admitted nor denied the S.E.C. charges; such settlements with regulatory agencies are commonly described as "not saying you did anything wrong in the past, and promising never to do it in the future."

Boeing, more so than the others, has insisted there was nothing improper about any of its overseas payments.

In its report to the S.E.C. last year, Boeing revealed as part of the settlement, \$54.9 million in 1971-77 payments based on just under \$1 billion in sales.

The amount of payments Boeing was required

money was paid by Boeing into Swiss and/or Liechtenstein accounts.

Specifically, the world's leading airplane builder listed seven companies in Liechtenstein receiving \$14.9 million and two Swiss banks receiving \$9.8 million. Both of these figures reflect a single \$3.6 million payment that went through both a Swiss bank and a Liechtenstein company.

Boeing, whose report was revealed in detail April 8 in The Times, said there were "several other" unspecified instances of Swiss-Liechtenstein payments those years.

The company apparently can identify the recipients of \$9.8 million of that \$21.4 million, but said it did not know the identities of those who received the remaining \$12.8 million passing through the European accounts.

The McDonnell Douglas Corp. in its November, 1978, disclosures, said that on sales of \$577.3

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million from 1969 through 1976, it made payments of around \$11 million, apparently not including \$1.8 million on separate Japanese sales, as accounting by The Times shows.

Of the \$11 million, \$2.35 million went to public officials or employees of airlines who bought planes. Another \$2.8 million possibly reached relatives of officials. Some other, unspecified millions may have gone to public or airline officials.

(Of Boeing's \$54.9 million, about \$27.1 million went to government-airline-political figures, Boeing revealed.)

AT LEAST \$200,000 of Douglas' payments went to a Swiss bank for an airline official, and other money went to a senior government official in Africa via a Belgian and then a Zaire bank.

Said the company report:

"To management's knowledge, a (Douglas) employee initiated only one of the transactions . . . and it is management's belief that in most of the other transactions . . . (Douglas) simply conformed to local custom or to demands which under United States law could be regarded as extortion."

The Lockheed disclosures, which have taken several forms, include statements released last February. Earlier, without specifics, the company

"\$1.8 million believed to be for a high government official or his party; \$700,000 believed to be for a high customer official, and \$100,000 believed to be for six government or political party officials."

Numerous others were paid in the governments of Spain, Italy and other unnamed countries. Lockheed also said an Italian journalist got up to \$20,000 for services unstated in the report.

At least several million dollars was put through Liechtenstein companies and Hong Kong and Singapore accounts.

In the latter case, in connection with sales to the Indonesian Air Force, Lockheed said it paid commissions of \$239,000 "to a Singapore numbered bank account purportedly for a fund for the benefit of widows and orphans of members of the Air Force."

There was, Lockheed added, "conflicting evidence as to the true beneficiaries of the payments."

GRUMMAN CORP., a principal manufacturer of warcraft, said in its report last January it paid \$16 million in commissions in recent years, not counting a \$24 million settlement it had to make with the Iranian government.

Grumman contracted through the United States Navy to sell Iran 80 F-14 fighter planes. Grumman also made an agreement with consultants to pay out a total of \$24 million in commissions on the sales.

But the Navy, which as middleman was selling the planes to Iran for the same price it was buying them from Grumman, told Grumman not to inflate the plane price to include the consultants' pay — and then to not pay any consulting fees.

Grumman, in 1975, began paying the consultants anyway. It had paid out \$5 million when Iran signed the deal. The Iranians said Grumman had violated the country's law. It demanded Grumman pay Iran the \$24 million.

Grumman, faced with possibly jeopardizing its deal, settled by giving Iran \$24 million worth of spare parts for the jets. Grumman now faces claims for \$18 million by the angry consultants.

The company also reported it paid around \$2.5

'Kickback' language was ill-chosen

million to airline or public officials or those related

not "try to get a 1 per cent kickback" from the Grumman sales representative.

The executive later explained "the language was ill-chosen" and "did not refer to any proposed improper payment of any kind."

The Grumman report, in comparison to most others issued by the American plane companies, is reasonably detailed.

But, the champion of disclosures — names, dates, places, step-by-step investigations — is the Northrop report.

It is highly detailed, elaborate, 60 single-spaced pages, stating the Northrop self-investigation grew out of the Watergate special prosecutor's office charges in 1974 that two unlawful contributions of \$150,000 total had been made to the 1972 presidential campaign of Richard Nixon.

The report, which reveals that \$750,000 was paid to a Swiss attorney for work that the company could not prove was ever done, said that the former board chairman, Thomas V. Jones (who resigned in the wake of Watergate charges), paid the attorney because Jones "perceived" the attorney had enhanced Northrop's position in Europe.

AN ACCOUNTING from the report issued in July, 1978, shows \$17.8 million was paid in cash and apparent checks for overseas services in the 1960s and 70s.

Northrop, too, was the only aerospace firm to comment on the touchy subject of corporate morality — as opposed to legal responsibility — in connection with the overseas-payments question.

Inherent in the issue is the thought that in some parts of the world, such payments are a way of life — a spinoff of the ancient Gumbaw system where a customer's postal service was based on the amount of money the customer paid to the postman.

Too, there is the customary benefit to the company. And thus to shareholders, when such questionable payments are made. Costs are usually tacked into the price of the product, paid for by the purchaser. If the company benefits, the shareholders likewise are not likely to complain when presented with the next quarterly dividend report.

Yet, at Northrop, even if paying off made money, officials would not accept it as a way of doing business. It had nothing to do with law, and everything to do with corporate morality, they said.

The acquiescence by Northrop personnel in the assumption that commission agents in certain parts of the world make payments to government officials as a matter of course, they said, "was not limited to the Triad (payment to the Saudi Arabian general) situation."

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In its report to the S.E.C. last year, Boeing revealed as part of the settlement, \$54.9 million in 1971-77 payments based on just under \$1 billion in sales.

The amount of payments Boeing was required to reveal exceeded those disclosed by the other aerospace firms who settled with the S.E.C.

Boeing's own report also shows it, comparably, was the leader in paying commissions or payments that traveled through protected channels—such as Swiss bank accounts and Liechtenstein corporations.

The identities of Swiss bank-account holders and Liechtenstein "mailbox company" owners are not publicly available and usually legally unobtainable.

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The Lockheed disclosures, which have taken several forms, include statements released last February. Earlier, without specifics, the company had admitted making up to \$38 million in questionable overseas payments. Some of those payments led to the toppling of Japan's government and indictment of ex-Prime Minister Kakuei Tanaka, now on trial accused of receiving \$1.5 million in illegal payments.

In its February report, Lockheed did not reveal enough figures to accurately achieve an accounting of total sales and commissions, but said that in connection with \$458 million in sales to Japan from 1970 through 1975, it paid about \$7 million in commissions.

The company said it paid a consulting company millions to apparently pass on to public officials

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million to airline or public officials or those related to them.

It listed \$4.6 million as passing through the Liechtenstein companies en route to recipients unknown.

In connection with the Iranian sale, the report says an employee of a Grumman subsidiary once described a retired Iranian colonel as a "bag man."

Adds the report:

"The employee has explained that he intended this term to refer to the diplomatic and military practice of transmitting confidential material by courier in a sealed pouch."

The report also reveals that a chief executive of the company told a public official that he should

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Too, there is the monetary benefit to the company, and thus its shareholders, when such questionable payments are made. Costs are usually tacked into the price of the product, paid for by the purchaser. If the company benefits, the shareholders likewise are not likely to complain when presented with the next quarterly dividend report.

Yet, at Northrop, even if paying off made money, officials would not accept it as a way of doing business. It had nothing to do with law, and everything to do with corporate morality, they said.

"The acquiescence by Northrop personnel in the assumption that commission agents in certain parts of the world make payments to government officials as a matter of course," they said, "was not limited to the Triad (payment to the Saudi Arabian general) situation."

"Such acquiescence in what was assumed to be acceptable business behavior in a foreign country reflected a belief by Northrop employees that such unlawful behavior was in the best interests of the country."

"The executive committee has concluded that this belief represented a serious error of judgment. It cannot be condoned."

"In particular," they concluded, "the executive committee is recommending reforms designed to assure that Northrop does not facilitate or condone the exercise of unlawful or improper influence on its behalf by independent representatives, whatever the prevailing morality or customs of the country involved."

TIMES - 4-22-79

Boeing employee denies espionage role

by RICK ANDERSON

Times staff reporter

It wasn't industrial espionage. It was industrial anti-espionage that year in Cocoa Beach, says a Boeing Co. employee.

Then, 1970, as today, the aerospace industry flourished along that stretch of Atlantic beachhead, the Eastern Florida coast. To the north is Cape Canaveral and the Kennedy Space Center; to the south is Patrick Air Force Base. Winged and rocket travel was and is Cocoa Beach's lifeblood.

A tiny piece of that highly competitive industry would later cause special attention to be focused on a boxy, two-story office building in the area.

The building sat back off the roadway, along the sun-baked business strip of Cocoa Beach. During that spring nine years ago, several small and large businesses leased space in the motel-style structure at 320 N. Atlantic Ave.

On the upper level were offices manned by planning and financial personnel of Pan American World Airways.

Directly below, in a single office, was a small business operated by a man and wife, the latter an employee of The Boeing Co. of Seattle.

It was, Boeing says today, a coincidence. It was not a case of industrial espionage, says the company, in expanded response to a previously published charge by a former Boeing executive.

The employee agrees. He says he told the former executive about work he did that year for Boeing in Florida, but the executive misunderstood him.

His mission, he says, was actually to do indus-

trial anti-espionage work for Boeing.

The man, an electronics expert, said he checked Boeing offices at the Cape for possible electronic taps or bugs put there covertly by competitors.

He says he also "hung around" union halls in the area, gathering information on union activities and reporting back to Boeing management.

"But I didn't spy on Pan Am," the employee said in an interview.

Pan Am, whose subsequent jetliner purchases would help Boeing out of a sales slump, was at the time engaged in competitive bidding with several other diversified aerospace firms — one of them Boeing.

AT STAKE in 1970 were two government contracts.

One, awarded in 1971, was for operation of the Eastern Test Range, the missile-flight area off the cape. Pan Am, which held the contract, successfully underbid Boeing, Trans World Airlines and others, to retain it.

The other major contract was a National Aeronautics and Space Administration job for installation and technical support services at Kennedy Space Center. That \$20 million contract was awarded in November, 1970, to Boeing. Among the losers was Pan Am.

Today, The Boeing Co. says its victory at the Cape nine years ago had nothing to do with its employee's leasing space below Pan Am offices.

The company says the employee had set up a short-lived import-export company, on his own, in the office on North Atlantic Avenue. The little

company closed after a couple of months, Boeing says.

A company investigation in 1977 showed there was no truth to the spying claim made by the former company executive, Boeing says.

The executive, whom the company labels a "disgruntled ex-employee," told Boeing officials in 1977 — and a federal court-ordered Boeing review committee late last year — that the employee had told him of the spying incident.

The committee's main purpose was to review Boeing's questioned overseas payments. It says it studied Boeing's own investigation of the charge, then decided not to pursue it further.

Boeing says the man leased the space at the time, saying other comparable space was unavailable. The fact that Pan Am was upstairs was coincidental, Boeing says.

In a statement issued by Pete Bush, company spokesman, Boeing declared: "Our investigation of charges regarding spying in Florida produced no evidence to support (the) allegation ... In this instance, he (the former executive) attributes statements to a Boeing employee that the employee says are untrue, and a reason for renting an office that the employee also emphatically rejects."

THE FORMER executive said the employee told him of the incident a few years later when the two were on a trip in South America.

The employee, in an interview, says he remembers the South American trip, but not that particular conversation. "I didn't tell him nothing like that," the employee said. "We (Boeing) didn't bug anyone, but we thought someone might bug us. That was my work, to stop that."

In Florida, the employee said, he and his wife rented the space below Pan Am because it was inexpensive, \$100 a month. "My wife was working the little business," he said, "importing alpaca material."

"I was working for Boeing. One of the things I would do was check out our offices for industrial espionage. I checked out a couple of them. Swept them. They were clean. I never found anything."

"Back then, it was suspected someone might try to bug you. Before that, even, it was going on all the time. Almost anyone could bug someone. You could, before they passed the law, go into any store and buy a bugging 'kit'."

His Florida work for Boeing, he said, included "finding out what was going on in the unions. I would just hang around the union halls and then report to my bosses on it." He would not elaborate. His Florida stay lasted only a "couple months," he added.

Boeing said its investigation of the Pan Am case included a review of company expense documents, and it could not find any record of the company paying costs of the lease or any other related expenses on North Atlantic Avenue.

Today, at Boeing, the incident is concluded. It goes into the book as part fiction, part coincidence.

Pan Am, says Bush, "is a long-time and valued Boeing customer and the suggestion that the company would have anything to do with spying on it is ludicrous."

There was, conversely, adds the electronics expert who did Boeing's "sweeping," no indication that any of Boeing's competitors spied on Boeing.

"We never found anything," said the employee. "But we, you know, had to look."

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(27)

Details of U.S. Case on Boeing Payments Disclosed in Swiss Hearings on Bank Data

WSJ 4-16-79

By JERRY LANDAUER
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The Swiss government obliged the U.S. government by agreeing to turn over secret bank records tracing suspicious foreign payments by Boeing Co. But the Swiss also muddled the long U.S. criminal investigation of Boeing by disclosing key details of the government's case.

These disclosures, perfectly proper under Swiss law but possibly illegal under U.S. law and certainly embarrassing to the Justice Department, occurred when the federal supreme court in Lausanne heard arguments about U.S. requests for bank records that might show who collected a \$3.6 million Boeing payment made to promote the sale of three 747 jetliners valued at \$120 million to Middle East Airlines. Middle East is a privately owned carrier operating out of Lebanon.

In a significant ruling, the Swiss court held that the U.S. Justice Department is entitled to certain Swiss bank records in accord with a law enforcement and assistance treaty between the two countries. This was the first time the treaty, which took effect in January 1977, had come before the court for interpretation.

But in arguing the U.S. government's need for the records, Swiss prosecutors released a 10-page legal brief asserting that Boeing is under investigation in the U.S. for possible mail fraud, conspiracy and fraud against the government.

Grand Jury Assertions

The brief, printed in French and largely based on information supplied by the U.S., gives away the Justice Department's theory of prosecution. And it discloses assertions about Boeing's concealment of the \$3.6 million payment. Some of these assertions evidently were gathered by a grand jury, whose deliberations must by law remain secret.

Lionel Frel, a Swiss government official, attributes the premature disclosures to a lapse in communications. "If the U.S. authorities wish us to treat information confidentially, then they must ask us to do so," Mr. Frel says, explaining that U.S. concepts of grand jury secrecy don't apply in Switzerland. And a U.S. source predicts that "Boeing's lawyers will file a zillion motions to kill this thing," possibly citing prejudicial disclosure of grand jury information. Justice Department officials withheld comment.

Whatever happens, the assertions in the 10-page brief offer fresh insights into Boeing's free-wheeling sales practices. Boeing and its U.S. competitors aver that they have discontinued the practices, mostly as a result of pressure from the Securities and Exchange Commission and the enactment of a law prohibiting bribery abroad.

In the case that the Justice Department is investigating, the government says Boeing filed a sworn certificate with the Export-Import Bank averring that the company hadn't paid any commissions or fees except to regular sales agents; the Ex-Im Bank loaned Middle East Airlines \$36 million to help finance the jetliner purchase.

Three-Way Accord

Yet the Justice Department says that on May 15, 1974, three months before the sale, Boeing signed a three-way agreement in Geneva with Swiss Bank Corp. and with Rosora Anstalt in Vaduz, the capital of Liechtenstein. Under that agreement, Boeing placed into account number 188392 at the bank \$3.6 million, which, upon presentation of the jetliner sales contract, moved immediately to Rosora Anstalt, a "mailbox" company set up chiefly to preserve financial secrecy.

In fact, Boeing itself claims it doesn't know who pocketed the \$3.6 million. "The beneficial owner or owners of the Liechtenstein corporation weren't then and aren't now known to the company," Boeing contends.

But the Justice Department maintains that Boeing made "illicit payments" in violation of Ex-Im Bank rules. The agency hopes to prosecute the company for fraud, as explained in the legal brief submitted to the Swiss supreme court:

the balance of payments (because) the payment of bribes is unfavorable to the balance of payments. . . .

"If the buyer learns of the payment of such bribes he may consider himself cheated and there is a great risk that he will refuse, in whole or in part, to repay the Export-Import Bank."

Boeing's officials weren't available to discuss the Justice Department's assertions. But the company has consistently said that its foreign payments didn't constitute bribes and weren't illegal.

Monday, April 16, 1979

The Seattle Times A 15

Boeing probe confirmed by Wall Street Journal

by RICK ANDERSON
Times staff reporter

The United States government is pursuing "fraud" and "conspiracy" charges against The Boeing Co., The Wall Street Journal said today, confirming a previous report in The Seattle Times.

Citing a 10-page legal brief released by authorities in Switzerland, The Journal said the brief asserted "that Boeing is under investigation in the United States for possible mail fraud, conspiracy and fraud against the government."

The Times April 8 reported the fraud and conspiracy theories in investigation by the Department of Justice.

It was learned the investigation is related directly to one or more legal agreements signed with the Export-Import Bank (Eximbank) of the United States.

In at least one instance, Boeing signed a sworn certificate with the bank, stating it hadn't paid commissions or fees except to regular sales agents.

Boeing made that statement in connection with the 1974 sale of \$120 million in jetliners to Middle East Airlines, which in part financed the planes through Eximbank.

In the 10-page brief that The Journal says Swiss authorities released apparently to the embarrassment of the United States — which preferred to keep its course of action secret — Boeing is accused of making "illicit payments" of \$3.6 million.

As previously reported, Boeing admitted it paid a \$3.6 million "commission" on the sale, but said it didn't know to whom the money went. The money, Boeing said, was paid through a numbered Swiss bank account to a mailbox company in Liechtenstein. Mailbox companies often serve as fronts to avoid taxes or disclosure of ownership, and sometimes consist of nothing more than a mail drop for forwarding postage.

The Justice Department, which obtained a Swiss court ruling to pry loose some information about the numbered (No. 188392) account at the Swiss Bank Corp. in Geneva, is apparently intent on tracking the money through Liechtenstein to its recipients.

Although Boeing has denied knowing who wound up with the

money, Justice officials say they think it was employees of the airline to whom the sale was made.

The apparent course is to prove the payment constituted fraud through bribery, as explained in the legal brief.

"The Export-Import Bank doesn't finance sales obtained through the payment of bribes. That would be contrary to its function, which is to promote American exports."

The brief adds: "If the buyer learns of the payment of such bribes, he may consider himself cheated and there is great risk that he will refuse in whole or in part to repay the Export-Import Bank."

Information obtained from the bank in Geneva is being screened by a committee for release to the United States.

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Government probing Boeing statements about plane sales

TIMES 4-19

(Continued from Page 1.)

count, then release it to a Liechtenstein corporation — where hidden, mail-drop companies flourish.

Boeing did not explain why it was "necessary" to pay the money, and, furthermore, said it did not know who received it.

That is in apparent conflict with the agreement Boeing signed with Ex-Im Bank to back the Mideast loan.

A COPY OF the seller's certificate reads, in part, that if any regular "commission" is to be paid, it must be: "readily identifiable on our (Boeing's) books and records as to amount, purpose and recipient."

Boeing, in the July, 1978, S.E.C. report, referred to the \$3.6 million as a "payment," not "commission," but Ex-Im Bank regulations require that either must be previously disclosed and the recipient identified.

Said Boeing in its S.E.C. report, "The beneficial owner or owners of the Liechtenstein corporation (to which the \$3.6 million was destined) were not then and are not now known to the company."

Boeing said "the airline official who advised the company of the requirement (payment) has assured the company that the money did not benefit any airline employees and that no government approval of the purchase was necessary."

American authorities have since tried to find out who, exactly, received the money.

According to court records filed in Switzerland as part of the United States' successful attempt to pry loose some information about the Swiss bank account where Boeing deposited the money, the Justice Department contends the \$3.6 million constituted "illicit payments."

JUSTICE HAS indicated it thinks the man who arranged the payment was Asad Nasr, a director of Middle East Airlines, and that the money did in fact reach airline employees or others involved in the jet deal.

The Americans are hoping to use information the Swiss court ordered released on the bank account in question — account No. 188392 of the Swiss Bank Corp. of Geneva — to track the money into Liechtenstein, where it passed through a mailbox company called Resora, or Resora Anstalt.

Justice officials, in a 10-page brief to the Swiss court, contend Boeing made arrangements to pay the \$3.6 million May 15, 1974, three months before the actual sale (the Ex-Im Bank credit was established in August, 1974).

The government says Boeing signed a three-way agreement in Geneva with Swiss Bank Corp. and with Resora, depositing the \$3.6 million and setting up the terms for its transfer to Liechtenstein.

Information now being screened by a Swiss judicial committee will, Justice officials believe, help

provide a key to uncovering the money's post-Liechtenstein destination.

THE OTHER \$3.6 million, paid to Korean Air Lines, was given — in the words of Boeing's S.E.C. disclosure — "to a company consultant which the authorizing (Boeing) employees understood would be used by the airline or the owners of the airline for airline or airline-related purposes."

No reason was given for that payment, or a payment of \$87,000 which Boeing said also was made to the consultant, but destined "for the account of (an airline) employee" who had "requested" it.

Boeing's sales agent on the deal was Nissho-Iwai Trading Co. of Tokyo. As part of an investigation into this and other payments by other American aerospace firms, Japanese authorities have taken three Nissho-Iwai executives into custody for questioning.

A Nissho-Iwai spokesman has said that his company, at Boeing's request, forwarded the \$3.6 million to Korean Air Lines as a "rebate" to ensure the sale.

Boeing, in its sworn certification on the Korean sale, pledged to Ex-Im Bank that Boeing had not, and would not, "cause to be granted or paid . . . any rebate."

A report carried in The Japan Times of March 1, 1979, quotes a spokesman for Nissho-Iwai as saying:

"Nissho-Iwai American Co., Nissho's subsidiary in the United States, was asked by Boeing in 1973 to issue a \$2.7 million check to a Korean Air Lines agent on behalf of the U.S. company."

"The subsidiary complied with the request, the spokesman said."

"The U.S. aircraft maker assured Nissho-Iwai in a later letter that the Japanese company would not be inconvenienced in any way in connection with the check, the spokesman said."

Arthur J. Obester, business-development officer for Ex-Im Bank in Washington, D.C., confirmed the Justice Department has been looking through Ex-Im's files and that any legal violations would be handled through Justice action.

He said any resulting action would not harm existing or future credits of Ex-Im Bank customers.

"It's done on a case-by-case, loan-by-loan basis," Obester said.

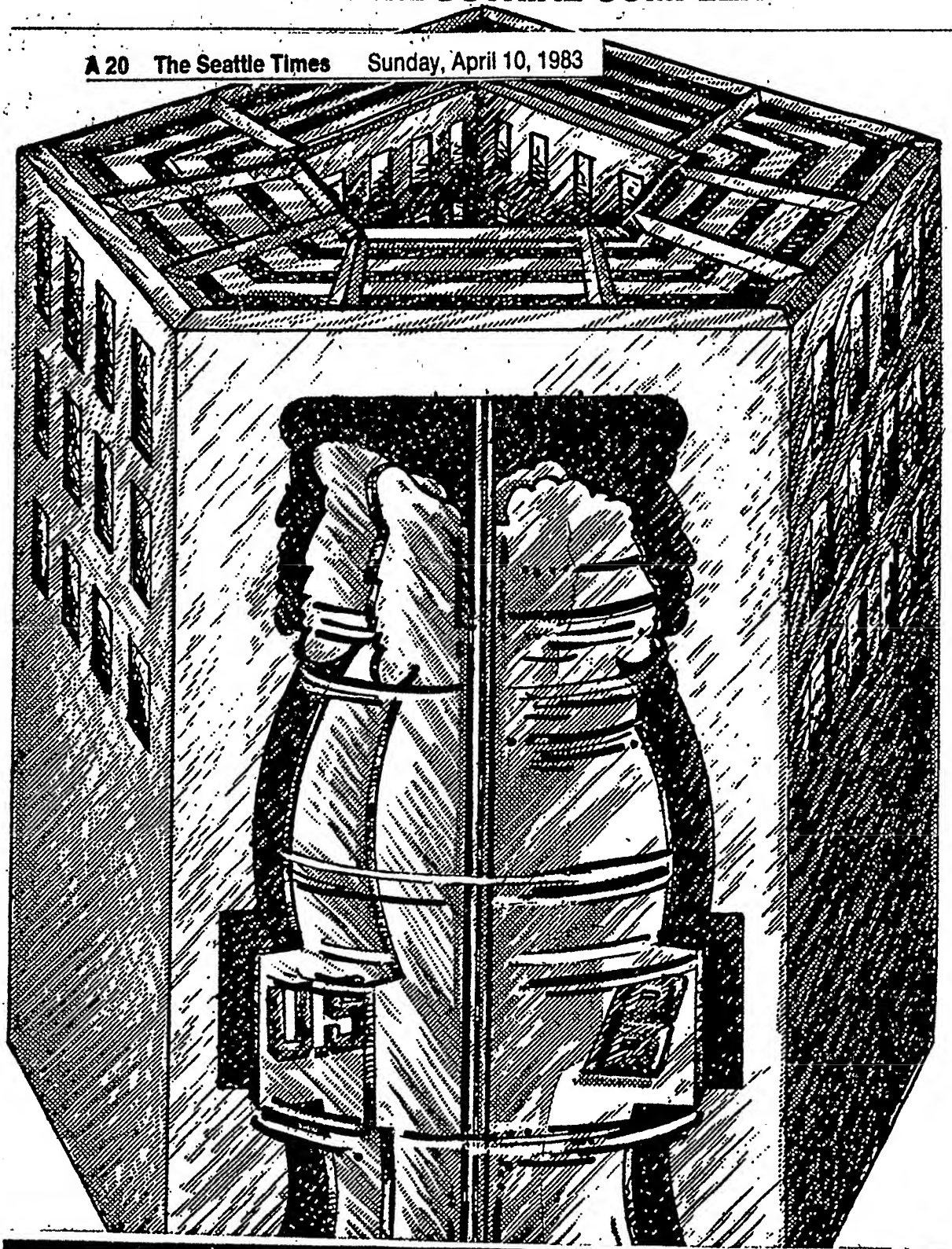
BOEING, ACCORDING to Ex-Im Bank's 1978 report, has \$118.4 million in sales credits pending by purchasers in 15 countries financing through the bank.

The overseas nations have ordered 26 Boeing jets (eight 737s, 14 737s and four 747s), including an order for two 747s by All Nippon Airways of Japan.

Boeing's sales provide one of the major loan outlets for Ex-Im Bank, which helped support \$10.6 billion in United States exports last year. The bank was created in 1934 and established under present law in 1945 to further growth of American exports and lessen what is now a United States balance-of-trade deficit of about \$30 billion.

MILITARY-INDUSTRIAL COMPLEX

A 20 The Seattle Times Sunday, April 10, 1983



THE BOEING-PENTAGON REVOLVING DOOR

All in the family between Boeing, Uncle Sam

Switching jobs raises questions of propriety

by Ross Anderson
Times Washington bureau

WASHINGTON — When Dale Babione joined the Boeing Co. four years ago, he came with a wealth of Pentagon experience and contacts that could be assets to a big weapons contractor like Boeing.

It was a short move, no more than a five-minute subway ride from the Pentagon to Boeing's offices on the 20th floor of a steel and glass building in suburban Virginia. The trip can be made without setting foot out-of-doors.

As a deputy assistant secretary of defense for procurement, Babione had helped set Pentagon policy governing weapons contracts. Then he decided to switch to the private sector, and Boeing "made the best offer," he says.

At Boeing, Babione joined 54 colleagues who work the industry side of the multi-billion-dollar defense contracting business.

They are among more than 400 present or former Boeing employees who have moved at one time or another, in one direction or the other, between mid- to high-level defense-related jobs at Boeing and the Pentagon.

That relationship drew national attention recently when it was disclosed that federal authorities are investigating payment of \$400,000 in what Boeing called severance pay to

three former employees who have taken high-level jobs in the Reagan administration Pentagon.

The officials are Melvyn Paisley, assistant secretary of the Navy; T.K. Jones, deputy undersecretary of defense, and Herbert A. Reynolds, deputy director of the Defense Department's Office of Intelligence and Space Policy.

Boeing said it is cooperating with investigators, who apparently want to know whether such payments are customary to departing employees. The company and the former Boeing officials otherwise decline to comment publicly.

Observers say the severance payments are a new wrinkle in an old issue: how to monitor and control the potential conflicts of interest that could arise as high-level workers move between defense-related jobs in government and private industry.

Babione, for one, is rankled at the suggestion there could be a conflict of interest in his job change or that of his colleagues. "I don't get involved with marketing," he says. "I don't sell anything. I deal strictly with rule-making."

But rules, regulations and inside contacts often have as much to do with military contracts as actual salesmanship. This was demonstrated in 1978, when a former Boeing employee, working at the Pentagon, obtained a copy of a secret memo regarding the MX missile. He was able to give his former employer potentially valuable advance knowledge of a weapons system for which it planned to compete.

Babione, who was not with Boeing at that time, says his Pentagon experience was valuable for the same reason it is valuable to hundreds of other defense-related employees who go on to jobs with contractors. His grasp of Pentagon

procurement policy is an asset to Boeing or any other contractor which does business with the government, he says.

That is the most frequent argument both for and against what is sometimes called the "revolving door" between the upper ranks of the Pentagon and major weapons contractors like Lockheed, Northrup, General Dynamics and Boeing.

One recent study indicates that more than 2,000 military officers, executives, engineers and others made such moves between 1971 and 1979. Most are middle-aged officers who retire and finish out their careers with private contractors.

But many others — like Babione, Jones and Paisley — hold positions where their high-level contacts could be advantageous to a company.

Gordon Adams, a researcher and writer who specializes in defense contracting, says potential abuses of inside contacts are only part of the problem.

"The circular flow (of defense-related employees) creates a community of shared assumptions about policy issues and developments," Adams says.

The result, he suggests, is that major decisions about how to spend the nation's military budget often are made in a narrow, almost incestuous arena that excludes broader perspectives.

■ Boeing ranks about sixth in the size of its military contracts, but a clear No. 1 among defense contractors in the rate at which employees have hopped between the company and the Pentagon. **Issues, A 20.**

WASHINGTON, D.C. — They don't like the term or its implications. But they've all been through the revolving door:

— Frank Shrontz quit the Boeing Co. in 1973 to become assistant Air Force secretary, then assistant secretary of defense; today he is back at Boeing, a vice president for sales and marketing.

— James Beebe was a technical advisor on nuclear weapons in the Ford administration Pentagon before becoming a manager for the Boeing Military Airplane Co.

— Maj. Gen. Charles Kuyk commanded a military-airlift unit in California for five years; now he's a supervisor in "airlift and strategic systems" at Boeing.

— T.K. Jones, now a deputy undersecretary of defense, has revolved through the door three times in 11 years. Now he's back at the Pentagon, and federal investigators are looking into severance pay he and two other former Boeing executives received when they took Defense Department jobs in 1981.

The list goes on and on. In the past decade, more than 400 high-ranking officials have transferred from federal defense or space-related jobs to Boeing, or from Boeing to the government agencies. Among them are retired military pilots, computer programmers, physicists, engineers and technical writers.

Also among them are several executives directly involved in weapons contracts between Boeing and the Pentagon.

Federal records indicate that Boeing has hired more Defense Department employees than any other defense or space contractor.

The workers say it is because Boeing is the leading aerospace company, based in a livable part of the country — a powerful magnet for the military retirees who are the most frequent transferees.

Defense and space business has become increasingly important to Boeing as commercial-airplane sales have slumped. Boeing has a wide range of federal contracts — cruise missiles, AWACS airplanes, subcontracts for MX missiles, the space shuttle, B-1 bombers, upgrading of B-52s, Minuteman missiles and more.

In 1980, Boeing reported \$1.4 billion in U.S. military and space-related business. Commercial-airplane sales were more than five times as much, at \$7.6 billion.

By last year, military and space business had more than doubled to \$3.3 billion, while commercial sales dropped to \$5.1 billion.

More striking are the profit figures. Last year, Boeing reported \$16 million in profits from commercial-airplane sales, while military and space-related profits had quadrupled in two years to \$65 million.

As Boeing's weapons business grows in what is becoming a highly competitive field, the company's ties with the Pentagon become more critical, a trend dramatized by the rate at which it hires former Pentagon employees.

Between 1979 and 1981, there were 139 transfers between Boeing and defense or space-related agencies, according to Pentagon records. At the same time, Lockheed had 94 reported transfers, Northrop had 92, and McDonnell Douglas, 67.

Yet Boeing still ranks only about sixth in military and space contracting among the giant companies.



EVER since Dwight D. Eisenhower was about the "military-industrial complex," government watchdogs have been concerned about the revolving door. They warn that Pentagon and big defense contractors like Boeing comprise a closed community that spends billions of tax dollars every year.

"To the insider, this intimacy seems to be technical and political knowledge that smooths the contracting process, insuring a more efficient defense of national security and the public good," says Gordon Adams, a private researcher and author of "The Iron Triangle," a 1981 book on the military-industrial complex.

"To the outsider, it suggests favoritism and narrowing of perspective in which the private government interests converge in a single view that excludes a wider perspective."

That argument was dramatized five years ago when a Boeing lobbyist transmitted notes from a confidential Pentagon memo on the MX missile to Seattle. Pentagon authorities complained that the transmission violated national security, but the incident also raised questions about the way Boeing obtained the information on a potential multi-billion dollar missile contract.

According to Adams, and news reports at the time, the memo initially was made available to a former Boeing employee working at the Pentagon (He's now back at Boeing). Another key player was a Boeing vice president who happened to be a former assistant secretary of defense. Yet another was a former Boeing employee working for the House Armed Services Committee.

At the time, The Wall Street Journal quoted an unnamed defense official as saying, "This type of thing happens all the time" among job-hopping officials in the tightly knit circle of military contracting.

A SAMPLING of former Pentagon employees said in telephone interviews that it was natural for them to move to jobs with contractors like Boeing. Federal programs generally allow retirees to supplement their pensions with work in private industry, and the logical place for a second career is with a defense-related employer. "We have a very nice situation," said Charles Kuyk, retired Air Force major general. "I retired from Gig Harbor and I wanted to go back to work. Boeing was interested."

Kuyk's experience with military-airlift requirements was an obvious asset to a company trying to sell its 747 as a military transport. So Kuyk went to work on "airlift and strategic systems" for Boeing.

"Sure. I take advantage of my experience," said Kuyk. "I know the requirements. I know airlift. I knew something about houses, I'd be selling real estate, I suppose."

Others echoed that reasoning. "I go where my skills are," said Bill McGowan, a public spokesman in Boeing's D.C. office and a former Pentagon public-affairs officer. "They value my experience and my skills. I'm just making a living like anyone else."

Moreover, the workers argue that the movement of personnel results in a healthy exchange of experience and expertise which benefits both the public and private interests.

Frank Shrontz, who has been to the Pentagon and back, said the federal interlude was his public service, an opportunity to lend his skills to his country.

"When I was at the Pentagon, I volunteered not to get involved in decisions that involved Boeing. I terminated all ties. I had no sense of loyalty to Boeing."

And he did the same when he returned to Boeing four years later, Shrontz says. "I've had no contact with anybody at the Pentagon since I left."

CONGRESS has made no attempt to close the "revolving door," but there have been attempts to keep track of who goes through it. A 1969 law requires former high-ranking defense-related officials to file annual reports for three years after transferring from the government to a major defense contractor, or from a contractor to the Pentagon.

The simple, one-page form asks the official to describe briefly his responsibility in each job. The Department of Defense collects the annual reports and compiles a report for Congress.

In addition, Congress prohibits former government officials and former defense-contractor officials from representing their former employers in contract negotiations for two years, and, in certain cases, for longer periods.

Ultimately, such laws are difficult to enforce, although there are stiff penalties for ignoring them.

Defense employees bear the responsibility for complying with the law, and Gordon Adams says there is reason to believe that many fail to report, if only because they are unaware of the requirement.

Moreover, any real conflict could easily be camouflaged in bureaucratic jargon. Take, for instance, the Boeing transferee who described his former Pentagon job as: "Staff officer at HQ USAF/XOORC, HQ USAF/DOZ HQ AAFCE/OR (NATO), command and control systems."

In a 1979 policy bulletin, Boeing reminded employees of the applicable federal laws and made them individually responsible for complying with the rules. In particular, the company attempted to unravel the legal language which bans former federal officials from "selling" to their former agencies for two years after their transfer.

"It is extremely difficult to draw the line between what is and what is not 'selling' where the retired regular officer initiates contacts with government personnel," the bulletin says. But the company concludes that the ban covers "any pre-contract contact with government personnel on behalf of a company which does sell to the government."

After two years, the ban is lifted. The employee is on his own.

And officials generally figure that no legislation could get around the fact that the sensitive questions often come down to individual ethics.

"I know where my integrity lies and my company knows where its integrity lies," says McGinty.

At least one former Pentagon employee figures the proof is in the pudding: If Boeing is trying to buy influence at the Pentagon, it's not doing a very good job of it, says William Roy Anderson, a longtime Pentagon employee who switched to Boeing in 1980.

In the past two years, Boeing has lost more major defense contracts than it has won, he points out.

"I was just complaining to my partner that it's the other contractors that seem to have all the suction these days," Anderson says. "Boeing keeps getting the short end of the stick."

How much should the public know?

WASHINGTON, D.C. — What is a reasonable price for public disclosure? When does the public's right to know clash with the government's ability to do a job?

The questions pop up again this spring as the Defense Department begins compiling hundreds of reports filed by hundreds of workers who have passed through the "revolving door" between government and private industry in defense space business.

Under a 14-year-old congressional statute, high-level Pentagon officials who take jobs with major defense contractors, or former contractors' officials who go to work for the Pentagon, must file annual reports for three years after the switch.

The one-page "Defense-related Employer Report" asks the officials to describe briefly their duties with the government and with the contractor. It asks for no financial disclosure or other details.

Government watchdogs like Common Cause say it is a worthwhile way of monitoring the flow of people — and potential influence — in the multi-billion-dollar business of weapons contracting.

But the Reagan administration says the reports are another unnecessary burden for a government wallowing in paperwork. Administration supporters have introduced legislation to repeal the requirement.

"It is very time-consuming, going out to contractors and collecting the reports," says Cal Bob Jones, who directs the Pentagon's Office of Compensation, where the reports are filed and compiled.

"Each year, Congress imposes new reports on us. You could employ a Pentagon full of people just to handle all these reports. At some point, we have to review them and decide if they're worth it."

Lawrence Korb, an assistant secretary of defense, has argued that the reports take too much money, too much staff time and too much space. And nobody uses them, he says.

The watchdogs disagree.

Too burdensome? The law places responsibility on individual officials to file the reports, say watchdogs. Boeing officials confirm they mail most annual reminders on bulletin boards and newsletters. Officials interviewed by The Times say it took them five to 10 minutes to complete reports. Since the reporting requirement is enforced, there is no way of knowing how many people miss the notices and fail to report at all.

Too time-consuming? Jones figured it would take a clerk about six weeks to compile the forms into an annual report to Congress. That translates into about 240 hours.

Too costly? Korb has been quoted as saying costs run to "several million dollars a year." But he declined to elaborate. The visible costs amount to 240 clerk-hours (about \$2,000) and the costs of printing the simple forms.

Too much space? The reports for the past decade fill one normal bookcase deep in the Pentagon. That's about 20 square feet in a building with 3,705,793 square feet of useable space, counting closets and miles of hallways.

DEFENSE CONTRACTS

Doubts about payments to ex-Boeing executives

A few thoughts on the article, "Boeing severance pay to three executives probed" (The Times, March 16): I question how Boeing spokesman Pete Bush could state that Boeing has "done nothing illegal, nothing improper, nothing wrong" concerning the enormous payments made to the executives shortly before taking high-level Defense Department positions. It is strange that, at the same time, he admits not even knowing how much they were paid.

More interesting is that one of these former Boeing employees is the current deputy undersecretary of defense for strategic nuclear forces, T.K. Jones. That anyone in a corporate position could be worth \$68,200 in 1980 and then over three times that amount to \$200,300 in 1981 seems incomprehensible. Even more disconcerting is that a man with such a salary could illogically conclude that the United States could recover from an all-out nuclear war in two to four years.

Clearly in a move to greater dependence on military contracts for profit, Boeing is trying to influence these men. With the Boeing military sales increasing from \$1.3 billion in 1980 to \$2.2 billion in 1982, it appears the company is succeeding.

Also of wonder is how these three men, as asked by the Defense Department, are able to disqualify themselves from matters pertaining to Boeing, which is rapidly becoming one of the larger defense contractors in the nation. Practically all matters concerning the military would eventually affect Boeing.

When stating "we have done nothing illegal, nothing improper, nothing wrong," Pete Bush must have been comparing these Boeing activities to those of other defense contractors.

In the words of Dwight Eisenhower at his farewell address in 1960: "In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist . . ."

Unfortunately, for T.K. Jones and the many other engineers of the arms race, they will soon enough have a much greater authority to reckon with than a possible investigation by the Defense Contract Audit Agency or the FBI.

— Glen Milner,
3227 N.E. 198th Pl., Seattle

*This is the page (fly) make a
particularly interested in
and stated every word was
as he did all of it.*

DEEPLY IMBEDDED CORRUPTION

I Corruption is so imbedded in the Aerospace Company that it is running rampant:

1. Extensive Expense Account Cheating ABUSE

- Paying Expenses to Steal Money
- Using fake receipts
- Cheating on expenses to enhance trip comfort such as buying gifts for the family, expensive bottles of liquor, items of clothing, first class travel when not necessary, limousines, rental cars for personal pleasure, etc.
- Extending trips longer than necessary to accomplish mission.
- Taking unnecessary trips - *PARIS AIR SHOW 200/144*
- Using expense accounts to cover illegal activities
- Local entertainment of friends, relatives, or vendors
- Prostitution on expense account.

PAISLEY

2. Political Corruption

- Improper and illegal support of political candidates
- Domestic and international payoffs to influence people
- Utilization of employee contributions to influence political campaigns.

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3. Industrial Espionage

- The wire-tapping and snooping illegally on competitor's facilities.
- Employees divulging, intentionally, proprietary data
- Stealing company processes and drawings for competitors or personal use.

PAISLEY

4. Company Theft

- Theft from the company of everything from expendable and non-expendable office supplies to expensive company property such as electronic equipment.

5. IR&D

- The corrupt practice of covering buddies with IR&D funds to protect them.

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6. OVERRUNNING CONTRACTS

- TO SHOW PROFITS

7. AGE DISCRIMINATION - *JOHNSON, WITHINSTON*

8. RACE DISCRIMINATION

9. KICKBACKS ON BRIBES

Memo

VERY BAD MORALE

- I There is a situation throughout the Aerospace Company of extreme apathy and bad morale backed up by an in-depth lack of faith in management.
- II •The ramifications of this situation are far flung and endless

JAN ERIC PETERSON
ELIZABETH J. BRACELIN
CHRISTOPHER E. YOUNG
BRIAN A. PUTRA
MARY ANN OTTINGER

LAW OFFICES OF
PETERSON, BRACELIN, YOUNG & PUTRA
2500 SMITH TOWER
SEATTLE, WASHINGTON 98104


AREA CODE 206
624-6800

May 3, 1977



RE: Boeing Company Employment

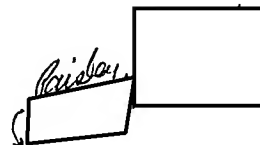
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Dear :

Being sensitive to your personal dilemma and the future welfare of you and your family, this is a very difficult letter to write. I realize that you are between the proverbial "rock and a hard place." However, you came to us as professionals for legal consultation and to the best of my ability I will endeavor to advise you in the strictest accordance with the law. Further, you may be assured that having entered into an attorney-client relationship with us the utmost confidentiality will be maintained.

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The information you have related about the activities of the Boeing Company and some of its executives and employees is, of course, both corporate and political dynamite. It is my opinion that these include violations of the law. 18 U.S.C. § 611 states in pertinent part that any contractor, be it a firm or individual whose payment is to be from funds appropriated by Congress and who, during the negotiation or performance directly or indirectly makes any contribution of money or other thing of value, or promises expressly or impliedly to make any such contribution, to any political party, committee or candidate for public office, or to any person for any political purpose or use, or whoever knowingly solicits such contribution from any such person or firm, is guilty of a violation of federal law and subject to a maximum of \$5,000 fine or five years in prison or both. The statute of limitations for violation of this act is five years.



Page Two
May 3, 1977

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18 U.S.C. § 3 defines accessory after the fact as whoever knowing that an offense against the United States has been committed, receives, relieves, comforts, or assists the offender in order to hinder or prevent his apprehension, trial or punishment is an accessory after the fact, punishable by no more than one-half the maximum penalties for the principal offender.

18 U.S.C. § 2511 states in pertinent part as follows:

"1.a. Any person who willfully intercepts, endeavors to intercept, or procures any other person to intercept or endeavor to intercept, any wire or oral communication;

"1.b. Willfully uses, endeavors to use or procures any other person to use or endeavor to use any electronic, mechanical, or other device to intercept any oral communication when

"3.a. Such person knows or has reason to know that such device or any component thereof has been sent through the mail or moved in interstate commerce or

"3.b. Such use or endeavor to use (a) takes place on the premises of any business or other commercial establishment the operations of which affect interstate or foreign commerce; or (b) obtains or is for the purpose of obtaining information relating to the operations of any business or other commercial establishment the operations of which affect interstate or foreign commerce

"3.c. Willfully discloses or endeavors to disclose to any other person the contents of any wire or oral communication knowing or having reason to know that the information was obtained through the interception of a wire or oral communication in violation of this subsection;

"3.d. Willfully uses or endeavors to use the contents of any wire or oral communication knowing or having reason to know that the information was obtained through the interception of a wire or oral communication in

Page Three
May 3, 1977

violation of this subsection is guilty of a crime and subject to punishment by a fine of \$10,000 or imprisonment for five years or both."

Furthermore, subsection 2.d. states that it is not unlawful to intercept where a person not acting under the color of law is a party to the conversation or where one party gives prior consent, unless intercepted for the purpose of committing a criminal or tortious act in violation of United States or State law or for the purpose of committing any other injurious act.

Washington State law, RCW 9.73.030, makes it unlawful for any individual, partnership, corporation, association, or the State of Washington, its agencies, and political subdivisions to intercept, record or divulge any:

1. Private communication transmitted by telephone, telegraph, radio or other device between two or more individuals between points within or without the State by any device, electronic or otherwise, designed to record and/or transmit said communication regardless of how such device is powered or actuated without first obtaining the consent of all the participants in the communication;

2. Private conversation by any device, electronic or otherwise designed to record or transmit such conversation regardless of how the device is powered or actuated without first obtaining the consent of all the persons engaged in the conversation. Such violation is a gross misdemeanor, punishable by a fine of \$1,000, imprisonment for one year, or both.

Furthermore, any person violating this State statute is subject to a civil action for damages.

Bribery, of course, is a violation of both federal and state law.

More to the point for you personally, are the following laws:

1. Washington State Law, RCW 9A.56.110, defines extortion as knowingly to obtain or attempt to obtain by threat property or services of the owner as defined in Section 9A.56.010(7) which reads "wrongfully obtains or exerts unauthorized control means: (a) to take the property or services of another; or (b) having any property or services in one's possession, custody or control as bailee, factor, pledgee, servant, attorney, agent, employee, trustee, executor, administrator, guardian or officer of any person, estate,

Page Four
May 3, 1977

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association or corporation or as a public officer or person authorized by agreement or competent authority to take or hold such possession, custody or control to secrete, withhold or appropriate the same to his own use, or to the use of any other person than the true owner or person entitled thereto."

RCW 9A.56.120 Extortion in the First Degree:

"A person is guilty of extortion in the first degree if he commits extortion by means of a threat as defined in 9A.04.110(25)(a), (b), or (c), which are threats of bodily harm, or physical damage, to the property or person of another, or threats to subject the person or any other person to physical confinement or restraint. "

RCW 9A.56.130 Extortion in the Second Degree:

"A person is guilty of extortion in the second degree if he commits extortion by means of a threat as defined in 9A.04.110(25)(d) through (j)," (D) through (j) read as follows:

(25) 'Threat' means to communicate, directly or indirectly the intent:

. . . .

(d) to accuse any person of a crime or cause criminal charges to be instituted against any person; or

(e) to expose a secret or publicize an asserted fact, whether true or false, tending to subject any person to hatred, contempt, or ridicule; or

(f) to reveal any information sought to be concealed by the person threatened; or

(g) to testify or provide information or withhold testimony or information with respect to another's legal claim or defense; or

Page Five
May 3, 1977

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(h) to take wrongful action as an official against anyone or any thing, or wrongfully withhold official action, or cause such action or withholding; or

(i) to bring about or continue a strike etc., or

(j) to do any other act which is intended to harm substantially the person threatened or another with respect to his health, safety, business, financial condition, or personal relationships."

Subsection 2 of the extortion in the second degree act proposes the following defense:

"In any prosecution under this section based on a threat to accuse any person of a crime or cause criminal charges to be instituted against any person, it is a defense that the actor reasonably believed the threatened criminal charge to be true and that his sole purpose was to compel or induce the person threatened to take reasonable action to make good the wrong which was the subject of such threatened criminal charge."

It should be noted that to maintain that defense it must be the sole purpose.

Finally, 18 U.S.C. § 4, Misprision of a Felony, declares that whoever having knowledge of the actual commission of a felony cognizable by the courts of the United States, conceals, and does not as soon as possible make known the same to some Judge or other person in civil or military authority under the United States is guilty of misprision of a felony, is subject to a fine of no more than \$500, and imprisonment for three years. Subsequent case law has held that one must "actively" conceal and that mere knowledge and failure to report is not sufficient for a conviction under this statute.

[REDACTED]
Page Six
May 3, 1977

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Therefore, it is my opinion that any approach to the Boeing Company, such as previously discussed, would expose you to potential criminal liability under the misprision of a felony statute and/or state laws prohibiting extortion. We cannot and will not, legally, ethically, or morally, advise, counsel or assist in any manner whatsoever in any actions that would not comply with the strictest letter of the law. If you should wish to contact appropriate state and federal authorities, we would be most happy to represent you in the future.

Sincerely yours,

[REDACTED]
[REDACTED]

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JEP:N
Enclosure.

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Federal Bureau of Investigation
915 2nd Avenue Room 710
Seattle, Washington 98174

Attn: [redacted]
Subj: The Mel Paisley Matter

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Dear [redacted]

Please find enclosed some information I thought might be useful to you as background data, in addition to "pp7" which I couldn't find when you were at my place...please note from the [redacted] letter that it was "page 7 of 16 pages" and not pages 7 and 16.

You know [redacted] given the amount of information we discussed and the short time in which we discussed it, I'm not sure that I made it clear that I have been involved in this Paisley matter since about July 72, over ten years. After going through what I did with Paisley and [redacted] on the alleged wiretapping, I tried, as cautiously as I could, (I had a family to feed), to do something about it while at Boeing; it was in such discussions that [redacted] told me that Paisley had discussed the tapping with him while he was in the Boeing Washington office. I discussed it with [redacted] then [redacted] and now [redacted]. His distaste for Paisley is just as strong as mine, and I remember on one occasion he told me he went to [redacted] about him. [redacted] is a highly politically-sensitive man, so as far as I know, nothing came of it. However, now that Paisley is out of the company, I feel confident he would discuss off the record with you, at least, if not on the record, if you have him in the right atmosphere. Then, as you know, I discussed it with Ben Plymale in the company of [redacted] only to find out later to our amazement that he was a good buddy of Paisley's. Then, in my attempts to setup a meeting with president Mel Stamper, I discussed it in great detail with [redacted] [redacted] like [redacted] is an attorney; and he is the one who lost part of his memory. But his wife told me he loves to have visitors and his memory sometimes works; in other words his memory loss is selective. He might be of some real help to you, particularly if he understood that Paisley was out of the company and the scope of your activities.

Then, at [redacted] request, I discussed it with [redacted] of Boeing Security, [redacted]. He tried to get me to admit that I had the [redacted] tape I discussed with you. I could see that if I did so, there would be two witnesses, (he and [redacted]), to the fact that I had taped that conversation. He pressed me, here at the house, on that subject for 2-3 hours and I steadfastly told him that I refused to discuss any tapes with him...neither denying or admitting. But the fear of perhaps doing something wrong sent me to an attorney and one of the results

[redacted]

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[redacted]

of those meetings is the enclosed letter which I thought you might want to see. After that I went to the attorney, [redacted] who represented the Boeing outside directors during the SEC investigation of the company. I felt with the national attention that that had, they would certainly dig in depth into what I had said and then not be positioned to ignore it. I even had a Boeing sales executive go to [redacted] and tell him in detail how he had caught his boss taking kickbacks from bribes he had given customers to buy airplanes in South America. They refused, of course, to acknowledge any of those things as you can tell from the clippings, even though if you read them carefully you can see where I am vindicated more than once.

After that, I went on to Governor Don Samuelson of Idaho, and through Don to Senator Paul Laxault, who assigned it to [redacted] who in turn brought it to the attention of Weinberger of Defense and Lehman of the Navy. I do not know, of course, how fruitful any of that effort turned out.

Paisley, to me, is a throwback...a man about 60 going on 17. I believe he lives in the "glorious" world of the WWII fighter pilot ace...hard drinking, two fisted, womanizer, the hotshot who stood above the law and does what he chooses when he chooses regardless of consequences; and paradoxically enough, as sometimes happens, he found the perfect place to be able to live that kind of lifestyle and get by with it....in the company of [redacted]. At this stage, I firmly believe that Paisley has so much on these three, plus others like [redacted] that they simply have to coverup for him and defend him to protect themselves. If someone could break Mel Paisley, which I do not think can be done, then the top of the whole thing would blow off; and I sincerely believe that would be a major contribution in the end to a healthier defense industry.

Some Notes:

1. [redacted] always the one to operate discreetly behind the scenes in these things, (he is the one who recruited me for the Jackson campaign and the Agency). [redacted] was on the transition team for the President with Ben Plymale. I have no idea how those two got there; perhaps, [redacted] was part of it as he has served on the President's Defense Science Board for some time.
2. If you get [redacted] at home, and then perhaps out for a wine laden lunch away from his cohorts, he will probably talk to you if you put it on the basis of patriotism because he feels very strongly about his country and the sickness of the Boeing Company.
3. I mentioned to you that Paisley apparently had a close relationship with a man in Brussels who Paisley hired as a consultant, (just like [redacted], and whose father was a Czarist colonel...that man was [redacted]).
4. I forgot to mention above that part of that "fighter pilot syndrome" is the overt bragging, and Paisley has always boasted to anyone who would listen about his exploits. That is one of the reasons I am so worried about him being in that sensitive position; it is also one of the reasons I believe you can get to him if you dig deep enough and talk to enough people...he has told so many.

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5. One of the people who will definitely talk to you about Paisley is

6. My mentioning of the expense accounts I felt could be important because that division of the company operates on federal dollars, with the exception of Boecon, and Paisley's activities were all paid for on expenses.
7. There is another senior man there whose career was messed up for sometime by [redacted] and Paisley who might just talk to you. He is one of the finest men I have ever met; also a Navy Academy graduate, and a man of impeccable character who somehow has succeeded there and stayed straight.
7. If you cannot locate [redacted] at any of those numbers, he is probably on travel as he is a very busy senior management consultant. I think he is very important to you so you can track him through the President's office at the Fentron Company, (formerly a division of Vought), in Dallas; or thru the Lutheran Church Our Lady of Good Sheppard headquarters at Terrabellá, California. He is presently or has been recently on projects for both.
8. [redacted]...I am not sure I made this clear to you...Mel Paisley told me about the wiretapping on federal contracts at the Cape about two months before [redacted] told me how he did it, and they told me separately without the other one knowing about it. What I want to make clear is that it was Paisley who conceived the project and [redacted] carried it out directly for Paisley. I was somewhat incredulous when [redacted] told me, and noticing that, he said, "I would do anything for the company!". I said something to the effect, "Come on now, Nick, how about killing?" He looked at me and said, "That too, if it was important enough." WOW. He was working for me then.
9. I am digging around for the name of the company Paisley laundered monies through for bribing MAGS and others.
10. On pp7 enclosed, I have printed in the names from the original of those which you cannot read.

Should you really need them, you are welcome to take the originals of any of this information. In the meantime, if there is anything more I can do to be of assistance to you, please call at anytime. Should I run onto anything else, I will send it along.

10 Oct 83

Please forgive this old stationary.... I'm out of hand.

My list, 1/1/83

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Office of Senator Paul Laxault
Senate Office Building
Washington, D.C. 20000

Attn: [redacted]

Subj: The Melvyn Paisley Affair

Dear [redacted],

The last time I talked to you was just prior to your departure for vacation before the lame duck session. You said as soon as you got back, you would tackle the Paisley matter again as you had some other things you had in mind to try.

As an official of the Department of Defense and a presidential appointee, Mr. Paisley should certainly be subject to a polygraph test when it comes to a matter of national security, the context in which I have postured this problem. We would be happy to submit a straightforward list of simple questions.

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By the way, among the witnesses is a former commander of the [redacted] [redacted] who is a management executive in the western Lutheran Church....men of impeccable character.

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1 February 1983

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/14/83

TO: SAC, ALEXANDRIA (58-246)
 FROM: SAC, SEATTLE (58-315) (P)

THOMAS K. JONES
 DEPUTY UNDERSECRETARY OF DEFENSE;
 ET AL;
 COI - DOD
 OO: ALEXANDRIA

Re Seattle airtel to Alexandria, dated 8/12/83.

Enclosed, for the Alexandria Division, are the original and one copy of an investigative insert including several enclosures.

Inasmuch as the information furnished by [redacted] (contained in the enclosed insert) was primarily heresay, no FD-302 has been dictated by the Seattle Division.

The Alexandria Division is requested to review the enclosures and advise Seattle if any investigation should be conducted based on the information contained therein.

2 - Alexandria (58-264) (Enc. 2)
 2 - Seattle (58-315)

RNN:lm
 (4)

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58-315-91

Approved: _____ Transmitted _____

Per _____

(Number) Search (Time) _____
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☐ SECRET
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☐ UNCLAS E F T O
☒ UNCLAS

Date 10/25/83

002

FM SEATTLE (58-315) (P)

TO ALEXANDRIA (58-264) ROUTINE *LS*

BT

UNCLAS

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIEDDATE 12-8-86 BY SP5 ci/bce
CIVIL # 86-8029A

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL;

COI - DOD, OO: ALEXANDRIA.

RE ALEXANDRIA TELETYPE TO SEATTLE, DATED OCTOBER 3, 1983.

THE FOLLOWING IS A SUMMARY OF INTERVIEWS CONDUCTED BY THE
SEATTLE DIVISION TO DATE:

[] ADVISED THAT IN THE SPRING OF 1982, []
 [] INDICATED TO [] THAT HE WOULD
 ATTEMPT TO GET [] SOME SEVERANCE PAY IF [] WOULD RETURN TO
 BOEING UPON COMPLETION OF HIS WHITE HOUSE ASSIGNMENT. [] STATED
 THAT HE DOES NOT KNOW HOW BOEING CALCULATES ITS SEVERANCE PAY,
 BUT THE INITIAL SUM TALKED ABOUT WAS APPROXIMATELY \$40,000.00.
 [] RECEIVED APPROXIMATELY \$18,000.00 - \$20,000.00 FOR HIS SICK
 LEAVE AND VACATION FUNDS AND VIP INVESTMENT FUNDS. THESE MONIES,

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① - Seattle
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NOTED OF- C/1/10/83
10/25/83N
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58-A
58-315-92Approved: *APW/u*

Transmitted

(Number)

(Time)

Per *SP5*

FBI

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PRECEDENCE:

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☐ UNCLAS

Date _____

PAGE 2 SF 58-315 UNCLAS

ACCORDING TO [] WIFE HIS FUNDS AND NOT BOEING'S. AN ADDITIONAL AMOUNT OF \$13,500.00 IN SEVTRANCE PAY WOULD HAVE MADE THE TOTAL FIGURE APPROXIMATELY \$40,000.00. [] STATED A FEW MONTHS SUBSEQUENT TO THAT CONVERSATION WITH [] RECONTACTED HIM AND ADVISED THAT BOEING COULD NOT MAKE A SEVERANCE PAYMENT TO [] BECAUSE OF LEGAL RAIFICATIONS. THERE WAS NOTHING IN WRITING CONCERNING THIS ACCORDING TO [] SERVED WITH THE WHITE HOUSE AS A CONSULTANT, AND AFTER 120 DAYS, HE TOOK A JOB ON A PERMANENT BASIS AS THE ASSOCIATE DIRECTOR OF PRESIDENTIAL PERSONNEL FOR VARIOUS AGENCIES. HIS JOB CONSISTED OF FINDING AND EVALUATING CANDIDATES FOR PRESIDENTIAL APPOINTMENTS TO VARIOUS GOVERNMENT AGENCIES. A SIGNED, SWORN STATEMENT WAS TAKEN FROM []

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[] ADVISED THAT THE TASK THAT [] AND OTHERS HAD WAS TO DEVELOP A CONCEPT OF WHAT THE TECHNICAL SOLUTION SHOULD BE FOR COMMAND AND CONTROL FOR NATO IN THE 1990'S. [] HAD PREVIOUSLY BEEN A PART OF THE DEVELOPMENT OF THE NADCE NATO GROUND ENVIRONMENT SYSTEM. [] ALSO HAS AWACS EXPERIENCE. [] STATED THAT THE ACCS TEAM WAS FORMULATED FOR A ONE-TIME JOB TO DETERMINE THE ABOVE DESCRIBED CONCEPT. NO

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CLASSIFICATION:

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☐ UNCLAS

Date _____

PAGE 3 SE 58-315 UNCLAS

PROCUREMENTS WOULD RESULT FROM THIS JOB, AND IN ADDITION,

[] STATED NATO HAD ALREADY PURCHASED A AWACS. [] STATED THAT HIS RECOMMENDATION FOR SEVERANCE PAY FOR [] WAS \$40,000.00, BUT TO SUPPORT THE REASONABLENESS OF THIS FIGURE, HE INCLUDED CALCULATIONS FOR SALARY DIFFERENTIAL AND VIP ACCOUNT MONIES, AS WELL AS SGI ALLOWANCES THAT WOULD HAVE BEEN CONSIDERED IF [] WAS GOING TO DO THE SAME JOB FOR BOEING. [] STATED THAT HE DID NOT KNOW WHAT AMOUNT [] RECEIVED. [] ADVISED THAT HE DOES NOT KNOW IF A SALARY DIFFERENTIAL IS USED FOR OTHERS LEAVING BOEING FOR GOVERNMENT SERVICE.

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[] ADVISED [] SAID HE WANTED TO KEEP HIS HOUSE LOCATED ON [] BECAUSE HE INTENDED ON RETURNING TO SEATTLE AFTER COMPLETION OF HIS GOVERNMENT JOB IN WASHINGTON, D.C. HE INDICATED TO [] THAT HE WOULD STAY IN WASHINGTON, D.C., SOMEWHERE BETWEEN FOUR AND EIGHT YEARS. [] STATED THAT [] NEVER DISCUSSED WHETHER OR NOT HE WAS GOING TO RETURN TO BOEING.

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[] ADVISED THAT [] LEFT BOEING IN MAY, 1981, AFTER REQUESTING A LEAVE OF ABSENCE OF APPROXIMATELY FOUR YEARS TO ACCOMPANY HER HUSBAND, [] TO WASHINGTON, D.C.,

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

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TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

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☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE 4 SE 58-315 UNCLAS

TO ACCEPT A GOVERNMENT JOB. [] STATED THAT SINCE [] REQUESTED A LEAVE OF ABSENCE, IT WAS [] UNDERSTANDING THAT [] INTENDED TO RETURN TO BOEING. [] STATED THAT [] DID NOT MENTION WHETHER HER HUSBAND INTENDED TO RETURN TO BOEING OR NOT.

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[] ADVISED HE IS NOT []. HE STATED HE DID NOT TALK TO [] PERSONALLY, AND HE HAS NEVER MET HER. HE DID STATE, HOWEVER, THAT FROM PAPERWORK, BECAUSE [] REQUESTED A LEAVE OF ABSENCE, SHE MUST THEREFORE HAVE PLANNED TO RETURN TO BOEING UPON COMPLETION OF HER HUSBAND'S DEPARTMENT OF DEFENSE JOB.

[] ADVISED THAT SOMETIME IN APRIL OR MAY, 1983, [] CONTACTED BOEING AEROSPACE CONCERNING THE POSSIBILITY OF RETURNING TO BOEING. THE CONTACT WAS MADE POSSIBLY WITH A [] WITH BOEING AEROSPACE. [] STATED THAT THE OPTIONS EXPRESSED IN HIS MIND CONCERNING [] RETIREMENT BENEFITS ARE STANDARD COMPANY POLICY FOR ANYONE RETURNING TO BOEING, AND THESE OPTIONS ARE DICTATED BY THE CORPORATE RETIREMENT OFFICE. [] ADVISED THAT [] HAS NOT RETURNED TO BOEING, AND BOEING HAS DECIDED NOT TO

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Handwritten of change

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

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TRANSMIT VIA:

☐ Teletype
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PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE 5 SF 58-315 UNCLAS

LET HIM RETURN; THEREFORE, THE OPTION DISCUSSED IN PARAGRAPH ONE
 IS THE OPTION THAT WAS CHOSEN.

_____ ADVISED THAT _____ WOULD
 BE UNAVAILABLE FOR INTERVIEW FOR APPROXIMATELY ONE WEEK. _____
 ADVISED THAT _____ FOR BOEING COMMERCIAL
 AIRCRAFT, WOULD SET UP AN APPOINTMENT WITH _____ FOR AN INTERVIEW
 AS SOON AS HE RETURNS. _____ ALSO ADVISED THAT _____
 RETIRED FROM BOEING ON A FULL DISABILITY AND IS CURRENTLY IN
 THE TERMINAL STAGES OF PARKINSON'S DISEASE. _____ LIVES
 SOMEWHERE ON _____ ACCORDING TO _____.

b6
 b7C

ON OCTOBER 24, 1983, _____ BOEING MEDICAL
 CENTER, ADVISED THAT HE WOULD INQUIRE AS TO WHETHER IT WOULD
 BE PROPER TO RELEASE THE NAME OF _____ PHYSICIAN SO THAT
 THAT PHYSICIAN COULD BE CONTACTED BY THE FBI TO DETERMINE IF
 AN INTERVIEW WITH _____ WOULD BE FEASIBLE. _____ STATED THAT
 _____ WOULD CONTACT THE SEATTLE OFFICE OF THE FBI WITH
 A DECISION AS TO THE FEASIBILITY OF RELEASING MEDICAL INFORMATION
 TO THE FBI CONCERNING A FORMER EMPLOYEE.

b6
 b7C

INVESTIGATIVE STEPS HAVE BEEN TAKEN BY THE SEATTLE DIVISION
 TO LOCATE _____ IN _____ AREA WITH NEGATIVE RESULTS

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE 6 SE 58-315 UNCLAS

TO DATE.

INVESTIGATION AT SEATTLE CONTINUING. FD-302'S TO FOLLOW.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)



In Reply, Please Refer to
File No.

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Alexandria, Virginia
October 21, 1983

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE
NAVY;
CONFLICT OF INTEREST - DEPARTMENT
OF DEFENSE

Reference is made to letterhead memoranda dated
October 18, 1982, February 9, 1983, March 11, 1983, and
August 3, 1983.

b3

This document contains neither
recommendations nor conclusions of
the FBI. It is the property of
the FBI and is loaned to your agency;
it and its contents are not to be
distributed outside your agency.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 10-11-83 BY 6032 JAW/STW

Nichols *N*
58A-315-93

RE: THOMAS K. JONES



b3

Investigation is continuing.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/21/83

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58-264)

THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE
 ET AL
 COI - DOD
 (OO:AX)

Re Alexandria airtel to Bureau, 8/3/83.

Enclosed for the Bureau are the original and three copies of a self-explanatory LHM. Enclosed for Seattle are two copies of instant LHM.

Alexandria will handle dissemination of LHM to DOJ Attorney [redacted] and DCIS. The Bureau is requested to refrain from any further dissemination.

b6
 b7C

GRAND JURY ALLEGATIONS ONLY
 REFERRED TO RULE 6(e), Fed. R. Crim. P.

2-Bureau (Enc. 4)
 ②-Seattle (58-315) (Enc. 2) Red *all*
 (Info)
 1-Alexandria
 PMS:kmp
 (5)

1*

add after "A"

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

58-315-914

OCT 21 1983

Nichols N

FBI

TRANSMIT VIA:

- ☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 11/7/83

014

FM SEATTLE (58-315) (P)

TO ALEXANDRIA (58-264) ROUTINE *LS*

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDER SECRETARY OF DEFENSE; ET AL;
 COI - DOD; OO: ALEXANDRIA.

RE ALEXANDRIA TELETYPE TO SEATTLE, DATED OCTOBER 3, 1983.

ON OCTOBER 24, 1983, [REDACTED] BOEING AIRCRAFT
 CORPORATION POSITION, ADVISED THAT [REDACTED] RETIRED FROM
 THE BOEING AIRCRAFT CORPORATION WITH A NEUROLOGICAL ILLNESS.

ON OCTOBER 27, 1983, [REDACTED] POLY CLINIC, 1200
 HARVARD, SEATTLE, WASHINGTON, ADVISED [REDACTED] CURRENTLY
 SUFFERS IN THE ADVANCED STAGES OF PARKINSON'S DISEASE AND
 EXHIBITS A STRIKING MEMORY LOSS. [REDACTED] STATED HE WOULD HAVE
 SERIOUS DOUBTS ABOUT ANYTHING THAT [REDACTED] MIGHT CLAIM TO
 REMEMBER. IN VIEW OF THIS FACT, AN INTERVIEW WILL NOT BE CONDUCTED
 WITH [REDACTED] BY THE SEATTLE DIVISION.

b6
 b7c

RNN:mel

(1) *mel**Nichols*Approved: *APW/PMB*

Transmitted

(Number)

*014**0023*

(Time)

Per

060

58A-315-95

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO SE 58-315 UNCLAS

ON NOVEMBER 4, 1983, IN THE PRESENCE OF BOEING COUNSEL

[REDACTED] - CUSTOMER SERVICES

MARKETING AND CONTRACTS, BOEING COMMERCIAL AIRPLANE COMPANY,

ADVISED THAT HE RECOMMENDED NO TERMINATION PAYMENT TO [REDACTED]

[REDACTED] BECAUSE [REDACTED] WAS LEAVING THE BOEING COMPANY TO ACCEPT
A JOB WITH THE UNITED STATES GOVERNMENT THAT PAID APPROXIMATELY
\$10,000 MORE THAN WHAT HE WAS RECEIVING AT BOEING. [REDACTED]

STATED HE DOES NOT KNOW WHAT BOEING'S POLICY REGARDING SEVERANCE
PAY IS AND THAT [REDACTED] SEVERANCE PAY RECOMMENDATION WAS THE
ONLY ONE THAT HE HAS PERSONALLY HANDLED.

SEATTLE WILL FORWARD TO ALEXANDRIA ORIGINALS AND
APPROPRIATE COPIES OF FD-302'S REFLECTING INTERVIEWS WITH
THOSE BOEING EMPLOYEES INTERVIEWED.

BT

b6
b7c

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Memorandum



To : SAC, SEATTLE (58-315) (P)

Date 11/2/83

From : SA [REDACTED]

b6
b7C

Subject : THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
ET AL;
COI - DOD
OO: ALEXANDRIA

Re Alexandria teletype to Seattle, dated 10/3/83.

Referenced communication requested eight interviews be conducted with employees and former employees of the Boeing Aircraft Corporation. The teletype directed that the employees should be contacted away from Boeing.

On October 11, 1983, SA [REDACTED] contacted the case agent in Alexandria, SA [REDACTED]. It was explained to [REDACTED] that, since all we had as identifying data on the eight interviews to be interviewed were names and the fact that they worked at or used to work at Boeing, contact with them at their home addresses would be difficult and would take quite a bit longer than what was allowed for in the teletype. In addition, it was pointed out to [REDACTED] by the writer, that for an FBI agent in Seattle to go on to Boeing property, it was necessary for him to notify Boeing Security of who he was going to see at Boeing; and the purpose of the visit. The writer also explained that the liaison which Seattle enjoys with the Boeing Security is very important to our office, and she was asked if, in this case, it might not be more convenient, as well as practical, to contact the employees directly through Boeing Security. She agreed and this has been done.

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b7C

The attorney for Boeing representing this matter, [REDACTED] [REDACTED] has arranged for the interviews to be conducted on Friday, October 21, and Monday, October 24, 1983. [REDACTED] advised that one of the interviewees, [REDACTED] is retired and lives on [REDACTED]. He is in the terminal stages of Parkinson's disease and, therefore, should not be interviewed. This information was made available to SA [REDACTED] on October 19, 1983. She stated that since [REDACTED] written a letter indicating that one of the subjects, T. K. JONES, plans to return to the Boeing Company at the conclusion of his assignment with the Government. It was necessary that [REDACTED] be interviewed.

b6
b7C

RNN:lm
(3)

ANW

1

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b7C

58A-315-96

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 01 1983	
FBI SEATTLE	
IV	

SE 58-315

LEAD:

SEATTLE DIVISION

b6
b7C

IN [] AREA

Will attempt, through phone book records and other records, to locate [] and determine if he is retired from the Boeing Aircraft Corporation. If he can be located, then an appointment should be made in the near future to set up an interview with him.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/9/83

[redacted]
[redacted] Washington 98027, home telephone number [redacted]
furnished the following information to Special Agents [redacted]
[redacted] of the Seattle Office of the Federal
Bureau of Investigation (FBI). [redacted] stated he is [redacted]

b6
b7C

[redacted] Boeing Aircraft Corporation and has been with Boeing for twenty-five years. He advised, after reviewing a memo he wrote to [redacted] dated January 6, 1982, that the task that LAWRENCE H. CRANDON and others had was to develop a concept of what the technical solution should be for command and control for NATO in the 1990s. CRANDON had previously been a part of the development of the NADGE (NATO Ground Environment) system. He also has AWACS experience. CRANDON was assigned to the automatic data processing section of the NATO Air Command and Control System team in Brussels, Belgium. [redacted] stated the ACCS team was formulated for a one-time job (to determine the above described concept). No procurements would result from CRANDON'S participation in this job. [redacted] stated NATO had already purchased AWACS prior to CRANDON joining the ACCS team.

[redacted] advised that his recommended payment to CRANDON for termination was \$40,000 but to support the reasonableness of this figure, the difference in salary and VIP account monies and SGI allowances were listed in his memo. If CRANDON was going to do the same job for Boeing, these factors would be taken into account in his pay. The salary differential, VIP account monies, and SGI allowances total to considerably more than the \$40,000 that he recommended.

b6
b7C

[redacted] stated that he does not know what termination pay CRANDON received upon leaving Boeing. [redacted] stated he also does not know if a salary differential is used for others leaving Boeing for Government service.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 12-8-86 BY SP5 ci/bce
Civil # 86-8029A

58-315-97

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 0 1983	
FBI - SEATTLE	

Investigation on 10/21/83 at Kent, Washington File # Seattle 58-315
by SA [redacted] RNN:lm Date dictated 10/24/83
SA [redacted]

b6
b7C

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/8/83

[redacted] Washington, home telephone number [redacted] was advised of the identities of the interviewing agents, Special Agent (SA) [redacted] and SA [redacted] who identified themselves to [redacted] as Special Agents with the Seattle Office of the Federal Bureau of Investigation (FBI). At the conclusion of the interview, [redacted] voluntarily furnished the following signed sworn statement:

"I [redacted] having been duly sworn, do hereby voluntarily furnish the following information to Special Agents [redacted] and [redacted] who have identified themselves to me as special agents of the F.B.I:

b6
b7C

"In about February 1981 I took a job as a consultant to the White House handling the recommendation & evaluation of presidential appointments for various agencies. At the end of that time the job became permanent and my job title became [redacted]. I was not given severance pay from Boeing because my job was to be temporary. I received approximately \$13,000 from Boeing in the form of two checks for sick leave and unused vacation benefits. Approximately two years later I received a third check that had been lost, in the approximate amount of \$6,000.00, from I think the VIP Investment fund.

"In about the Spring of 1982 I had telephonic contact with [redacted] who indicated he felt bad about my not receiving any severance pay. He said he wanted to try to get me some pay if or when I returned to Boeing. A few months subsequent to this conversation [redacted] called and said he could not make any payments to me because of legal ramifications.

"To this date I have not received any severance money from Boeing. I received no written communications concerning this matter.

"I do not know how Boeing calculates it's severance payments. The initial total amount talked about was approximately \$40,000. This figure was mentioned prior to my leaving Boeing. I received approximately 20,000 therefore \$18,500 additional monies would be about right.

Investigation on 10/21/83 at Kent, Washington File # Seattle 58-315
by SA [redacted] RNN:lm Date dictated 10/24/83

58-315-98

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 0 1983	
FBI - SEATTLE	
10/24/83	

"While at the White House I had contact with Ben Plymale and others. Plymale was asked for suggestions and recommendations for the best qualified man for various positions within the Government and in the U. S. - not necessarily at Boeing. This was the only reason I had any contact with Boeing.

"I have read the above affidavit consisting of this and one other page and it is true and correct to the best of my knowledge.

"/s/ [redacted]

"Subscribed and sworn to before us this 21st day of October, 1983.

b6
b7C

"/s/SA [redacted]
"Special Agent FBI

"/s/SA [redacted]
"Special Agent FBI"

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 11/9/83

[redacted]
Washington 98040, home telephone [redacted] furnished the
following information to Special Agents [redacted]
and [redacted] of the Seattle Office of the FBI:

[redacted] stated he is [redacted]
[redacted] He has been with
Boeing 25 years. [redacted] advised that he is not [redacted]
supervisor, nor has he ever talked to her personally. In fact,
[redacted] stated he has never met [redacted].

b6
b7C

[redacted] advised that, because [redacted] requested a leave
of absence, she must, therefore, have planned to return to
Boeing upon completion of her husband's Department of Defense
job.

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
NOV 9 - 1983	
FBI - SEATTLE	

Investigation on 10/21/83 at Kent, Washington File # Seattle 58-315-99
by SAs [redacted] and [redacted] RNN/jh Date dictated 10/24/83

b6
b7C

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 11/9/83

[redacted]
Washington, home telephone [redacted] advised Special Agents [redacted] and [redacted] of the Seattle Office of the FBI that she is presently a Boeing employee and has worked in the past as a real estate agent in the Seattle area. [redacted] advised she rented [redacted] home, located at [redacted] Washington, for him. [redacted] advised that [redacted] said he wanted to keep his house, because he intended to return to Seattle after completion of his assignment in Washington, D. C. He advised [redacted] that he would stay in Washington, D. C., somewhere between four and eight years. According to [redacted] never discussed whether or not he was going to return to Boeing.

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b7C

SEARCHED.....	INDEXED.....
SERIALIZED <i>aw</i>	FILED <i>aw</i>
NOV 9 - 1983	
FBI - SEATTLE	

Investigation on 10/21/83 at Kent, Washington File # Seattle 58-315-100
by SAs [redacted] and [redacted] RNN/jh Date dictated 10/24/83
b6
b7C

FEDERAL BUREAU OF INVESTIGATION

-1-

Date of transcription 11/9/83

[redacted]
[redacted] Washington, home telephone [redacted] furnished the following information to Special Agents [redacted] and [redacted] of the Seattle Office of the FBI:

b6
b7C

[redacted] stated she is [redacted] for Boeing Computer Services. She advised that [redacted] left the Boeing Company in May of 1981 after requesting a leave of absence of approximately four years to accompany her husband, [redacted] to Washington, D.C. [redacted] stated that since [redacted] requested a leave of absence, it was obvious that she wanted to return to Boeing when her husband's service with the U. S. Government was completed. [redacted] advised that [redacted] did not mention whether or not her husband intended to return to work for Boeing.

This interview was conducted in the presence of Boeing attorney [redacted]

Investigation on 10/21/83 at Kent, Washington File # SE 58-315 - 101

by SA [redacted] RNN:mel

b6
b7CDate dictated 10/24/83

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 13 1983	
FBI - SEATTLE	

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FBI/DOJ

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/10/83

[redacted]
Boeing Aerospace Company, furnished the following information to Special Agents (SA) [redacted] and [redacted] of the Seattle Office of the FBI.

In about April or May of 1983, [redacted] contacted Boeing concerning the possibility of his returning to work for Boeing. [redacted] stated that he wasn't exactly sure who [redacted] had contacted, but it was possibly [redacted] [redacted] with Boeing Aerospace.

b6
b7C

[redacted] stated that his boss, [redacted] raised the question as to how [redacted] benefits would be affected should he return to Boeing. Concerning [redacted] memorandum to [redacted] dated May 19, 1983, whereby the subject of [redacted] retirement benefits were discussed, [redacted] stated that the options expressed in the memo are standard company policy for anyone returning to Boeing.

[redacted] advised that Boeing decided not to allow [redacted] to return to work at Boeing because of a combination of two factors. One, there was a problem as to what to have him do when he returned in that he would only be working at Boeing for a few months until he turned 62, and two, [redacted] stated that it might not be proper for Boeing to allow [redacted] to return to work at Boeing. [redacted] advised that [redacted] has not returned to work for Boeing.

b6
b7C

The options in these matters, according to [redacted] are dictated by the Corporate Retirement Office at Boeing. [redacted] stated in regards to the memo described above, that he did not recognize the handwriting underneath the memo.

This interview was conducted in the presence of Boeing attorney [redacted].

Investigation on 10/24/83 at Kent, Washingtonby SA [redacted]
SA [redacted]

RNN/bjt

b6
b7C

Date dictated

10/25/83

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 25 1983	

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 12/5/83

[redacted] was interviewed by Special Agents [redacted] and [redacted] who identified themselves to [redacted] as Special Agents with the Seattle Office of the FBI. Present during the interview was [redacted] Boeing Commercial Airplane Company, Seattle, Washington. [redacted] advised he is the [redacted] Boeing Commercial Airplane Company, Seattle, Washington, and has been with Boeing for 17 years.

b6
b7C

[redacted] stated that he remembered [redacted] who left Boeing to accept a Department of Defense assignment as [redacted]

[redacted] stated that [redacted] job offer with the Department of Defense paid \$50,112.00, while he was currently making \$40,000.00 at Boeing. In view of this fact, [redacted] stated he wrote a memo recommending no termination payment for [redacted].

[redacted] stated he does not know what Boeing's policy is regarding severance pay and further advised that this particular case was the only one that he personally has handled.

Investigation on 11/4/83 at Seattle, Washington File # SE 58-315 -103
by SA [redacted] RNN/jcb b6 b7C Date dictated 11/7/83

SEARCHED	INDEXED
SERIALIZED	FILED
1 DEC 5 1983	
FBI/DOJ	

Memorandum



To : SAC, SEATTLE (58A-315) (P)

Date 12/20/83

From :

SA [REDACTED]

b6
b7C

Subject :

THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
ET AL;
COI - DOD
OO: ALEXANDRIA

On December 13, 1983, Special Agent [REDACTED] (ph), Alexandria Division, advised that she will be sending the Seattle Division approximately 17 Grand Jury subpoenas for Boeing personnel to appear at a Grand Jury in Alexandria, on January 3, 1983.

[REDACTED] stated that she hoped the subpoenas would be at Seattle, this week, and therefore, should be served on December 19, 1983.

[REDACTED] further advised that it would be acceptable to serve the subpoenas on the Boeing legal counsel and have him distribute the subpoenas within The Boeing Company.

b6
b7C

On the same date, [REDACTED] Boeing Security, was contacted by SA [REDACTED] and advised of the above information. [REDACTED] stated that he would insure that the appropriate people at Boeing were notified and that it was acceptable with him that the subpoenas be served on the Boeing legal counsel, who would then distribute the subpoenas within The Boeing Company.

RNN/jcb
(2)

[Handwritten signature]

b6
b7C

58A-315-104

SEARCHED	INDEXED
SERIALIZED	FILED
1 DEC 30 1983	
[REDACTED] SEATTLE	



U.S. Department of Justice

HMJ:JNL:ab

Washington, D.C. 20530

16 DEC 1983

Federal Bureau of Investigation
New Federal Office Building
915 Second Avenue
Room 710
Seattle, Washington 98174

Attention:

b6
b7C

Dear :

Enclosed please find fourteen (14) subpoenas for Boeing Company employees. These subpoenas are to be served on the employees personally. Please telephone me before you contact Boeing or make any arrangements to serve these subpoenas.

Sincerely,

Criminal Division

Handwritten: *asmt by for file this*

b6
b7C

58A-315-105

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 21 1983	
FBI - SEATTLE	
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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 12/21/83

FM SEATTLE (58A-315) (P)

TO ALEXANDRIA (58A-264) ROUTINE (TH)

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDER SECRETARY OF DEFENSE; ET AL; COI -
DOD: OC: ALEXANDRIA.

RE LETTER FROM [REDACTED] TO FBI, SEATTLE, DATED
DECEMBER 16, 1983, AND A TELCAL FROM SPECIAL AGENT [REDACTED],
SEATTLE FBI TO [REDACTED] ON DECEMBER 19, 1983.

ON DECEMBER 20, 1983, SUBPOENAS WERE SERVED UPON THE FOLLOWING
INDIVIDUALS BY SPECIAL AGENT [REDACTED] OF THE SEATTLE OFFICE
OF THE FBI:

(X) [REDACTED]

[REDACTED]

[REDACTED] ALL RECIPIENTS RE-
CEIVED A LETTER WITH THEIR SUBPOENAS, EXCEPT FOR [REDACTED] AND
[REDACTED]

ENH:lm

(1) [REDACTED]

Approved: [Signature]

Transmitted

(Number)

002 0620Z

(Time)

Per [Signature]

106
58A-315-107

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO 58A-315 UNCLAS

b6
b7C

IN ACCORDANCE WITH INSTRUCTIONS FROM [REDACTED] SA [REDACTED]
DESTROYED SUBPOENAS FOR [REDACTED]
[REDACTED]

THE ORIGINAL COPY OF ALL SUBPOENAS SERVED WILL BE FORWARDED
TO ALEXANDRIA BY SEPARATE COMMUNICATION WITH THE RETURNED PORTION
EXECUTED.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Memorandum



To : SAC, SEATTLE (58A-315) (P)

Date 12/27/83

From : SA [REDACTED]

b6
b7C

Subject : THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
et al
COI-DOD
OO: ALEXANDRIA

On December 19, 1983, [REDACTED]
Public Integrity Section, Criminal Division, United States
Attorney's Office, Alexandria, Virginia; telephonically advised
the writer that he had mailed, via Express Mail, subpoenas to be
served on Boeing personnel. [REDACTED] stated that four of the
subpoenas should not be served, but rather should be torn up.
They were subpoenas for:

b6
b7C

[REDACTED]

In addition, [REDACTED] stated that the remaining
subpoenas must be served individually and that all of the
subpoenas except for three contain a letter of explanation to
the person being served. The letters should be given to the
persons being served the subpoenas at the time they are served
the subpoenas, according to [REDACTED].

② - Seattle

RNN:lwo

(2)

1*

58A-315-107

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 28 1983	
FBI - SEATTLE	

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/23/83

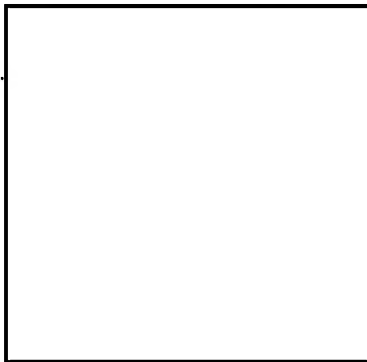
TO: SAC, ALEXANDRIA (58A-264)
 FROM: SAC, SEATTLE (58A-315) (RUC)

THOMAS K. JONES,
 DEPUTY UNDER SECRETARY OF DEFENSE;
 et al
 COI-DOD
 OO: ALEXANDRIA

Re Seattle teletype to Alexandria, dated December 21, 1983.

Enclosed for the Alexandria Division are the original copies of subpoenas served by the Seattle Division on December 20, 1983, with the return portion executed.

On December 20, 1983, subpoenas were served on the following Boeing employees by SA [redacted] of the Seattle Office of the FBI:



b6
 b7C

In accordance with instructions received telephonically from [redacted] subpoenas for [redacted] and [redacted] were not served and have been destroyed.

2 - Alexandria (Enc. 10)
 ① - Seattle
 RNN:lwo
 (3) *[initials]*

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

Searched _____
 Serialized *[initials]*
 Indexed _____
 Filed *[initials]*

58A-315-108

SE 58A-315

As no further investigation remains at Seattle, this matter is considered RUC.

On December 9, 1983, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) was contacted by [redacted] (Protect), a source who has provided information of unknown reliability in the past. [redacted] stated that a former Boeing employee, [redacted] had informed him that [redacted] a former FBI agent and currently [redacted] at Boeing Aircraft Corporation, keeps a secret file on employees at Boeing. [redacted] suspected that the file might have some information on MEL PAISLEY. [redacted] stated that the purpose of the file was not known to him and the location, although not known, would probably be very near [redacted] office. [redacted] advised that [redacted] could furnish information as to how [redacted] could now be reached. [redacted] phone number was listed as [redacted]. [redacted] stated that [redacted] would know nothing concerning this matter, except how to locate [redacted]. Finally [redacted] stated a former CIA agent, [redacted] who currently works for [redacted] as a salesman, knows [redacted] and [redacted] expects that possibly he knows about the file. [redacted] could not explain how this could be other than that he had a hunch that this was so.

b6
b7c

58A-315-109

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 1/12/84

TO: SAC, ALEXANDRIA (58A-264)
 FROM: SAC, SEATTLE (58A-315) (RUC)

THOMAS K. JONES;
 ET AL;
 COI - DOD
 OO: ALEXANDRIA

Re Alexandria teletype to Seattle, dated 10/3/83;
 Seattle airtel to Alexandria, dated 10/14/83; Seattle teletype to
 Alexandria, dated 10/25/83; and Seattle teletype to Alexandria,
 dated 11/7/83.

Enclosed for the Alexandria Division, are the original
 interview notes and the original and copy each of FD-302s reflect-
 ing interviews with the following individuals:



b6
 b7C

In addition, also enclosed are two copies of an investi-
 gative insert reflecting investigation at Seattle, Washington.

Inasmuch as the information furnished by [redacted]
 contained in the enclosed insert was primarily hearsay, no FD-302
 has been dictated by the Seattle Division. The Alexandria Division
 is requested to review the enclosures and advise Seattle if any
 investigation should be conducted, based on the information con-
 tained therein.

As no further investigation remains at Seattle, this
 matter is considered RUC'd.

2 - Alexandria (58A-264)

① - Seattle (58A-315)

1*

RNN:lmf

(3)

Approved: [signature]

Transmitted

(Number)

(Time)

Searched

Serialized

Indexed

Filed

b6
 b7C

58A-315-110

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/19/84

TO: SAC, SEATTLE
 FROM: SAC, ALEXANDRIA (58A-264) (P)
 THOMAS K. JONES;
 ET AL
 COI - DOD
 (OO: AX)

Re Seattle airtel to Alexandria, 1/12/84.

Enclosed for Seattle are subpoenas for [redacted]
 [redacted] and [redacted] Also
 enclosed are letters for each of the above individuals.

LEAD:SEATTLE

AT SEATTLE, WASHINGTON: Will serve enclosed subpoenas
 for the above BOEING COMPANY employees.

GRAND JURY MATERIAL - DISSEMINATE ONLY
PURSUANT TO RULE 6(e), Fed.R.Crim.P.

2-Seattle (Enc 10)
 2-Alexandria
 PMS:kar
 (4)

1*

Approved: [Signature]

Transmitted

(Number)

(Time)

58A-315-111

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 20 1984	
FBI - ALEXANDRIA	

(A) *
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b6
 b7C

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 3/23/84

FM SEATTLE (58A-315) (P)

TO ALEXANDRIA (58A-264) POUTINE JWO

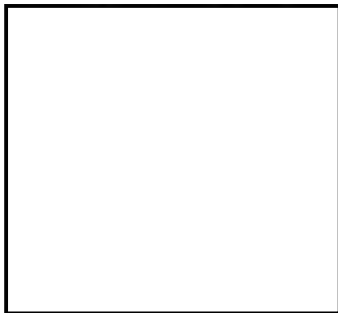
BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; ET AL;
 COI - DOD; CO: ALEXANDRIA.

ON MARCH 21, 1984, SEATTLE RECEIVED FIVE SUBPOENAS FOR
 THE FOLLOWING INDIVIDUALS:

- 1.
- 2.
- 3.
- 4.
- 5.



b6
 b7C

ON MARCH 22, 1984, SUBPOENAS WERE SERVED BY SPECIAL AGENT

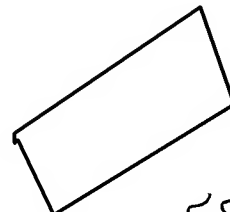
[REDACTED] OF THE SEATTLE OFFICE OF THE FBI ON [REDACTED]

[REDACTED] AND [REDACTED] REMAINING SUBPOENAS WERE SERVED ON

b6
 b7C

MARCH 23, 1984. APPROPRIATE FD-302'S AND ORIGINAL COPIES OF

PNH:mel
 (1)



N

58A-315-1112

Approved: *APW*

Transmitted

012
 (Number)

0629
 (Time)

Per *[Signature]*

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO SF 58A-315 UNCLAS

SUBPOENAS WILL BE FORWARDED BY SEPARATE COMMUNICATION.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/29/84

On March 22, 1984, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) served a subpoena on [redacted] The Boeing Company, 7755 East Marginal Way South, Seattle, Washington 98108. The subpoena required that he appear at the United States District Courthouse, 200 South Washington Street, Alexandria, Virginia, on April 2, 1984, at 9:00 a.m.

b6
b7C

58A-315-113

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 29 1984	
FBI - SEATTLE	

[redacted]

b6
b7CInvestigation on 3/22/84 at Seattle, Washington File # SE 58A-315by SA [redacted] Date dictated 3/26/84b6
b7C

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/29/84

On March 22, 1984, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) served a subpoena on [redacted] The Boeing Company, 7755 East Marginal Way South, Seattle, Washington 98108. The subpoena required that he appear at the United States District Courthouse, 200 South Washington Street, Alexandria, Virginia, on April 2, 1984, at 9:00 a.m.

b6
b7Cb6
b7C

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 29 1984	
FBI - SEATTLE	

[redacted] IN

Investigation on 3/22/84 at Seattle, Washington File # SE 58A-315 - 114
by SA [redacted] i b6
b7C Date dictated 3/26/84

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/29/84

On March 23, 1984, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) served a subpoena on [redacted] The Boeing Company, 7755 East Marginal Way South, Seattle, Washington 98108. The subpoena required that he appear at the United States District Courthouse, 200 South Washington Street, Alexandria, Virginia, on April 2, 1984, at 9:00 a.m.

b6
b7C

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 29 1984	
FBI - SEATTLE	

IN 115

Investigation on 3/23/84 at Seattle, Washington File # SE 58A-315b6
b7Cby SA [redacted] Date dictated 3/26/84

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/29/84

On March 23, 1984, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) served a subpoena on [redacted] The Boeing Company, 7755 East Marginal Way South, Seattle, Washington 98108. The subpoena required that he appear at the United States District Courthouse, 200 South Washington Street, Alexandria, Virginia, on April 2, 1984, at 9:00 a.m.

b6
b7C

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
MAR 29 1984	
FBI - SEATTLE	

b6
b7C

Investigation on 3/23/84 at Kent, Washington File # SE 58A-315 - 116
by SA [redacted] RNN:lm Date dictated 3/26/84

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/29/84

On March 23, 1984, Special Agent (SA) [redacted] of the Seattle Office of the Federal Bureau of Investigation (FBI) served a subpoena on [redacted] The Boeing Company, 7755 East Marginal Way South, Seattle, Washington 98108. The subpoena required that he appear at the United States District Courthouse, 200 South Washington Street, Alexandria, Virginia, on April 2, 1984, at 9:00 a.m.

b6
b7C

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 29 1984	
FBI - SEATTLE	

b6

b7C

Investigation on 3/23/84 at Kent, Washington File # SE 58A-315-117by SA
SA

RNN:lm

Date dictated 3/26/84

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ Airtel _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/29/84

TO: SAC, ALEXANDRIA (58A-264)
 FROM: SAC, SEATTLE (58A-315) (RUC)

THOMAS K. JONES;
 ET AL;
 COI - DOD;
 OO: ALEXANDRIA

Re alexandria airtel to Seattle, dated 3/19/84.

Enclosed for Alexandria are the original subpoenas and the original, plus one copy, each, of the FD-302s reflecting the serving of those subpoenas, on the following individuals:

b6
 b7C

and [redacted]

In addition, for the information of the Alexandria Division, on March 26, 1984, [redacted] (Protect by request), provided the following information as a supplement to facts that he had previously furnished to the Seattle Office of the FBI, and which have already been forwarded to the Alexandria Division:

MEL PAISLEY has used a company in New York to "launder" money that was eventually used to bribe personnel at the Military Assistance Group. The name of the company is TRANSPORTATION, CONCEPTS & TECHNIQUES, INCORPORATED, 551 Fifth Avenue, New York, New York 10017, telephone number (212)490-3233. Cable Address: TRACONTEK, New York; [redacted]

b6
 b7C

[redacted] finally advised that the person contacted by PAISLEY at the United Nations, was [redacted].

Seattle is unaware as to the validity of the above information; however, contact with [redacted] is being maintained and Alexandria is requested to advise Seattle if additional investigation is required.

2 - Alexandria (58A-264) (Enc. 10)
 ① - Seattle (58A-315)

RNN:lmj

1*

(3)

Approved: _____ Transmitted _____ Per _____
 (Number) (Time)

Searched _____
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 Indexed _____
 Filed plk

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58A-315-118

RUC
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58A-315-119

SEARCHED	INDEXED
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APR 02 1984	
	TLE <i>12</i>

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b7C



U.S. Department of Justice

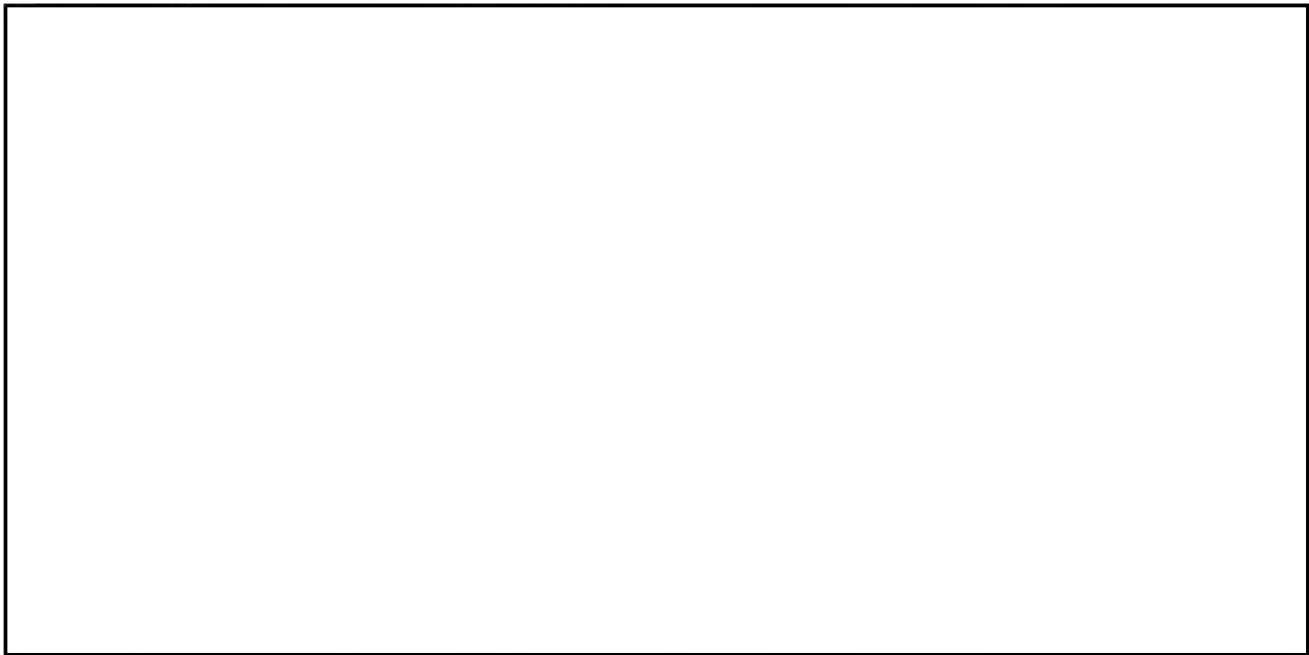
Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Alexandria, Virginia
March 26, 1984

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVYN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY;
CONFLICT OF INTEREST - DEPARTMENT OF DEFENSE

Reference is made to letterhead memoranda dated
October 18, 1982, February 9, 1983, March 11, 1983, August
3, 1983, and October 21, 1983.

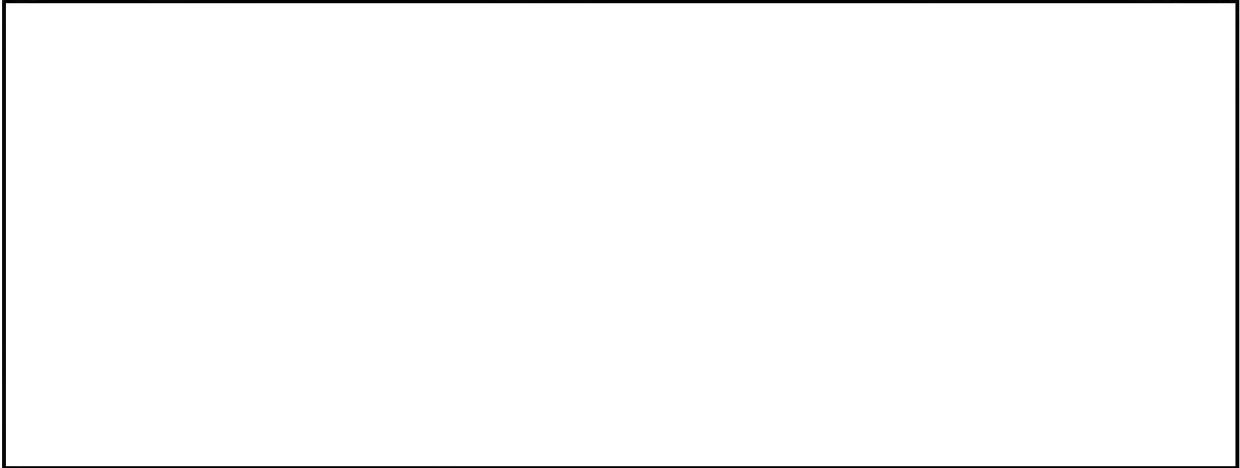


b3

This document contains neither recommendations nor
conclusions of the FBI. It is the property of the FBI and
is loaned to your agency; it and its contents are not to
be disseminated outside your agency.

GRAND JURY MATERIAL - DISSEMINATE ONLY
PURSUANT TO RULE 6(e), Fed.R.Crim.P.

THOMAS K. JONES
DEPUTY UNDERSECRETARY OF DEFENSE;
ETAL



b3

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ X AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 3/26/84

TO: DIRECTOR, FBI
 FROM: SAC, ALEXANDRIA (58A-264) (P)

THOMAS K. JONES
 DEPUTY UNDERSECRETARY OF DEFENSE;
 ETAL
 COI - DOD
 (OO: AX)

ReAXtel to Bureau, 1/13/84.

Enclosed for the Bureau are the original and four copies of a self-explanatory LHM. Enclosed for Seattle are two copies of this LHM.

Alexandria will handle dissemination of LHM to Department of Justice (DOJ) Attorney [REDACTED] and DCIS. The Bureau is requested to refrain from any further dissemination.

b6
 b7C

2 - Bureau (Enc. 5)
 2 - Seattle (Enc. 2) (58-315) (Info)
 1 - Alexandria *Rec'd*

PMS:IAT
 (5)

Approved: _____ Transmitted _____
 (Number) (Time)

58A-315-120

SEARCHED	INDEXED
SERIALIZED	FILED
APR 02 1984	
[REDACTED] TITLE	

b6
 b7C

AXO 014 109 0433Z

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DE AX

R 17 2100Z APR 84

FM ALEXANDRIA (58A-264) (PGL

TO SEATTLE (58A-315) ROUTINE

BT

UNCLAS

THOMAS K. JONES; ET AL; COI-DOD, OO: AX

RE SEATTLE AIRTEL TO ALEXANDRIA, MARCH 29, 1984.

REFERENCED AIRTEL ADVISED THAT [REDACTED] (PROTECT IDENTITY BY REQUEST) ADVISED THAT MEL PAISLEY USED TRANSPORTATION CONCEPTS AND TECHNIQUES INCORPORATED IN NEW YORK TO LAUNDER MONEY USED FOR BRIBES TO MILITARY ASSISTANCE GROUP EMPLOYEES.

b6
b7C

SEATTLE IS REQUESTED TO RECONTACT [REDACTED] (PROTECT) AND OBTAIN FULL DETAILS CONCERNING DATES, PLACES, INDIVIDUALS AND HOW THIS INFORMATION BECAME KNOWN TO HIM.

BT



Handwritten:
100-41A
to
(A)
Alc

Handwritten: 58A-315-121

SEARCHED	INDEXED
SERIALIZED <i>100-41A</i>	FILED <i>100-41A</i>
1 APR 17 1984	
SEATTLE	
<i>Handwritten:</i> 21	

b6
b7C

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 4/23/84

003

FM SEATTLE (58A-315) (P)

TO ALEXANDRIA (58A-264) ROUTINE (TBH)

BT

UNCLAS

THOMAS K. JONES; ET AL; COI - DOD; OO: ALEXANDRIA.

RE ALEXANDRIA TELETYPE TO SEATTLE, APRIL 17, 1984.

ON APRIL 20, 1984, [REDACTED] (PROTECT BY REQUEST),

[REDACTED] WASHINGTON, ADVISED

THE SOURCE OF THE INFORMATION SPECIFIED IN REFERENCED TELETYPE

IS [REDACTED] BOEING AIRCRAFT

CORPORATION, SEATTLE, WASHINGTON. [REDACTED] ADVISED THAT MELVIN

PAISLEY HAD BRAGGED TO NUMEROUS INDIVIDUALS ABOUT BRIBING

MILITARY ASSISTANT GROUP OFFICERS, NAMES UNKNOWN, IN ORDER

TO OBTAIN GOVERNMENT CONTRACTS. ONE OF THE PERSONS HE BRAGGED

TO, ACCORDING TO [REDACTED] WAS [REDACTED] PROVIDED A

BUSINESS CARD GIVEN TO HIM BY [REDACTED] IN THE NAME OF [REDACTED]

[REDACTED] - SHIPBUILDING, TRANSPORTATION CONCEPTS

RNN/jcb
(1)Approved: AMS/u

Transmitted

(Number)

003

(Time)

Per

58A-315-122

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO SE 58A-315 UNCLAS

AND TECHNIQUES, INC., 551 5TH AVENUE, NEW YORK, NEW YORK,

[] EXPLAINED THAT [] IS THE INDIVIDUAL
THAT WAS POSSIBLY CONTACTED BY PAISLEY AND THROUGH WHOM THE
MONEY WAS LAUNDERED.

b6
b7C

[] ALSO ADVISED THAT THE NAME [] APPEARS
ON THE BACK OF THIS CARD WITH THE NOTIATION SAUDI, UN. []
SPECULATES THAT THE BOEING CONTRACT INVOLVED WAS AWACS. HE
EXPLAINED THAT THE MILITARY ASSISTANT GROUP (MAG) INSTALLS AND
TEACHES THE AWACS SYSTEM FOR THE SAUDIS. IN ADDITION, MAG
ALSO PRE-RUNS THE CONTRACTS, ACCORDING TO [] AND THEREFORE,
ACTS AS THE COUNTERPART TO THE STATE DEPARTMENT'S COMMERCIAL
ATTACHE. THEREFORE, THE MILITARY ASSISTANT GROUP EMPLOYEES
WOULD BE IN A POSITION TO HELP SET UP A CONTRACT BETWEEN THE
SAUDIS AND THE BOEING AIRCRAFT CORPORATION, AND THE CLAIM BY
PAISLEY THAT HE BRIBED SOME OF THE MAG EMPLOYEES APPEARED TO
HIM [] AS LEGITIMATE. [] SPECULATED THAT THE NAME
[] WAS THE SAUDI CONTACTED BY PAISLEY AT THE UNITED NATIONS.

b6
b7C

[] STATED HE WILL ATTEMPT TO CONTACT [] AND
OBTAIN FROM HIM ANY SPECIFICS THAT [] MIGHT HAVE CONCERNING
THIS MATTER. [] ADVISED THAT [] ONLY HAS THREE YEARS

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE THREE SE 58A-315 UNCLAS

TO GO BEFORE HE CAN RETIRE AT BOEING, AND THEREFORE, MIGHT BE
RELUCTANT TO TALK.

INVESTIGATION AT SEATTLE CONTINUING.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Memorandum



To : SAC, SEATTLE (58A-315) (P)

Date 5/4/84

From : SA [REDACTED]

b6
b7C

Subject : THOMAS K. JONES;
ET AL;
COI - DOD
OO: ALEXANDRIA

Re Alexandria teletype to Seattle, dated April 17, 1984.

On April 24, 1984, a conference telephone call took place between the writer, Supervisor [REDACTED] and ASAC of the Alexandria Division, [REDACTED]. During this conversation, [REDACTED] agreed that Alexandria would set forth leads to have information sent by Seattle to Alexandria by airtel, dated March 29, 1984, verified. These leads included background checks for TRANSPORTATION CONCEPTS AND TECHNIQUES, INC., a company located at 551 5th Avenue, New York, New York; and confidential inquiries at the United Nations concerning a Saudi, [REDACTED].

b6
b7C



In view of the above information, Seattle is not setting forth these leads.

② - Seattle
RNN:lah
(2) *lah*

b6
b7C

58A-315-123

SEARCHED	INDEXED
SERIALIZED <i>mm</i>	FILED <i>mm</i>
SEATTLE	
1 <i>N</i>	

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 5/17/84

003

FM SEATTLE (58A-315) (P)

TO ALEXANDRIA (58A-264) ROUTINE 0115Z (PKB)

BT

UNCLAS

THOMAS K. JONES; ET AL; COI - DOD; OO: ALEXANDRIA.

RE SEATTLE TELETYPE TO ALEXANDRIA, APRIL 23, 1984,

ON APRIL 30, 1984, [REDACTED] (PROTECT BY REQUEST)

MET WITH [REDACTED] AS A RESULT OF THAT MEETING,

[REDACTED] LEARNED THAT A MAN NAMED [REDACTED] MEL PAISLEY'S

[REDACTED] WHILE AT BOEING, SHOULD KNOW, ACCORDING TO [REDACTED],

OF THE ACTIVITIES OF PAISLEY AS THEY PERTAIN TO THIS MATTER.

[REDACTED] TOLD [REDACTED] THAT [REDACTED] WOULD NOT TALK TO THE FBI, NOR
WOULD HE TALK TO [REDACTED].

[REDACTED] STATED THAT IT WAS [REDACTED] WHO HAD ORIGINALLY SET
UP THE NEW YORK DEAL. IN ADDITION, THERE WAS A \$20,000.00
PAYMENT INVOLVED WITH A BANK IN THE GRAND CAYMAN, WEST INDIES,
USED TO LAUNDER MONEY.

b6
b7CRNN/jcb
(1)b6
b7CApproved: APW/r

Transmitted

003
(Number)0115Z
(Time)Per J

58A-315-124

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO SE 58A-315 UNCLAS

[] FURTHER ADVISED THAT MOST BOEING EXECUTIVES KEEP "PEARL HARBOR" FILES TO PROTECT THEMSELVES. [] INDICATED TO [] THAT HE HAS FIVE FILE CABINETS FULL OF INFORMATION ON BOEING.

ON MAY 16, 1984, [] AGAINST MET WITH [] AND LEARNED THE FOLLOWING:

IN ABOUT 1979, THE BOEING COMPANY WAS FORCED BY THE SECURITIES AND EXCHANGE COMMISSION (SEC) TO SET UP THREE OUTSIDE DIRECTORS TO OVERSEE AN INVESTIGATION OF ALLEGED BRIBERY INVOLVED IN THE FOREIGN SALES OF AIRCRAFT. THE OUTSIDE DIRECTORS WERE [] [] OF HEWLETT-PACKARD, PALO ALTO, CALIFORNIA; [] OF THE BOARD OF STANDARD OIL COMPANY OF CALIFORNIA; AND [] OF THE NEW YORK STOCK EXCHANGE. THEY ASSIGNED SAN FRANCISCO ATTORNEY [] TO INVESTIGATE THESE SO-CALLED BRIBES.

[] STATED TO [] THAT HE IS CONVINCED THAT THIS INVESTIGATION WAS THOROUGH AND COMPLETE, AND THAT THE BRIBERY MATTER WAS COVERED DURING THIS INVESTIGATION. [] STATED TO [] THAT IF THERE WAS ANY EVIDENCE CONCERNING THIS MATTER, IT HAS LONG SINCE BEEN WIPED OUT.

b6
b7C

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE THREE SE 58A-315 UNCLAS

[] ADVISED HE KNOWS OF A FORMER BOEING EMPLOYEE WHO MAY HAVE INFORMATION CONCERNING THIS MATTER. THAT EMPLOYEE IS [] []. [] STATED HE WOULD CONTACT [] IN AN ATTEMPT TO LEARN OF ADDITIONAL INFORMATION CONCERNING THIS MATTER.

ALEXANDRIA: WILL, IF DEEMED APPROPRIATE, SET FORTH LEADS CONCERNING CONCEPTS AND TECHNIQUES, INC., NEW YORK, NEW YORK, AND THE SAUDI DELEGATION AT THE U.N.

SEATTLE: WILL MAINTAIN CONTACT WITH SOURCE, AFTER INVESTIGATION AT NEW YORK IS COMPLETE, SEATTLE WILL ATTEMPT INTERVIEW WITH []
BT

b6
b7c

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

AX0005 1442028Z

RR SE SF

DE AX

R 231811Z MAY 84

FM ALEXANDRIA (58A-264) (P)

TO SEATTLE (58A-315) ROUTINE

SAN FRANCISCO ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; MELVYN ROBERT PAISLEY, ASSISTANT SECRETARY OF THE NAVY; HERBERT A. REYNOLDS, OFFICE OF THE SECRETARY OF DEFENSE; LAWRENCE H. CRANDON, NORTH ATLANTIC TREATY ORGANIZATION; HAROLD KITSON, JR., DEPUTY ASSISTANT SECRETARY OF THE NAVY; COI - DOD (OO:AX)

RE SEATTLE TELETYPES TO ALEXANDRIA, APRIL 24, 1984, AND MAY 18, 1984.

REFERENCED TELETYPES ADVISED THAT [REDACTED] (PROTECT IDENTITY BY REQUEST), [REDACTED] WASHINGTON, ADVISED THAT MELVIN PAISLEY, WHILE STILL EMPLOYED AT BOEING AEROSPACE COMPANY, BRAGGED TO NUMEROUS INDIVIDUALS ABOUT BRIBING MILITARY ASSISTANT GROUP OFFICERS, NAME UNKNOWN, IN ORDER TO OBTAIN GOVERNMENT CONTRACTS.

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ONE OF THE PERSONS HE BRAGGED TO WAS [REDACTED]
[REDACTED], BOEING AIRCRAFT CORPORATION, WHO IN TURN TOLD [REDACTED]
[REDACTED] PROVIDED A BUSINESS CARD GIVEN TO HIM BY [REDACTED] IN THE NAME
OF [REDACTED] - SHIPBUILDING, TRANSPORTATION
CONCEPTS AND TECHNIQUES, INC., 551 5TH AVENUE, NEW YORK, NEW YORK.
[REDACTED] EXPLAINED THAT [REDACTED] IS THE INDIVIDUAL THAT WAS
POSSIBLY CONTACTED BY PAISLEY AND THROUGH WHOM THE MONEY WAS
LAUNDERED.

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[REDACTED] ALSO ADVISED THAT THE NAME [REDACTED] APPEARS ON THE
BACK OF THIS CARD WITH THE NOTATION SAUDI, UN. [REDACTED] SPECULATES
THAT THE BOEING CONTRACT INVOLVED WAS AWAC'S. HE EXPLAINED THAT
THE MILITARY ASSISTANT GROUP (MAG) INSTALLS AND TEACHES THE
AWAC'S SYSTEM FOR THE SAUDIS. IN ADDITION, MAG ALSO PRE-RUNS THE
CONTRACTS, ACCORDING TO [REDACTED] AND THEREFORE ACTS AS THE
COUNTERPART TO THE STATE DEPARTMENT'S COMMERCIAL ATTACHE.
THEREFORE, THE MAG EMPLOYEES WOULD BE IN A POSITION TO HELP SET
UP A CONTRACT BETWEEN THE SAUDIS AND THE BOEING AIRCRAFT
CORPORATION, AND THE CLAIM BY PAISLEY THAT HE RIBED SOME OF THE
MAG EMPLOYEES APPEARED TO [REDACTED] AS LEGITIMATE. [REDACTED] SPECULATED
THAT THE NAME [REDACTED] WAS THE SAUDI CONTACTED BY PAISLEY AT THE

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NATIONS.

ON APRIL 30, 1984, [] TOLD [] THAT []
[] WHILE AT BOEING, SET UP THE NEW YORK DEAL. IN ADDITION
THERE WAS A \$20,000 PAYMENT INVOLVED WITH A BANK IN THE GRAND
CAYMAN, WEST INDIES, USED TO LAUNDER MONEY.

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ON MAY 16, 1984, [] TOLD [] THAT IN ABOUT 1979, THE
BOEING COMPANY WAS FORCED BY THE SECURITIES AND EXCHANGE
COMMISSION (SEC) TO SET UP THREE OUTSIDE DIRECTORS TO OVERSEE AN
INVESTIGATION OF ALLEGED BRIBERY INVOLVED IN THE FOREIGN SALES OF
AIRCRAFT. THE OUTSIDE DIRECTORS WERE []

[], CALIFORNIA; []
[] AND []

[] THEY ASSIGNED SAN
FRANCISCO ATTORNEY [] TO INVESTIGATE THESE SO-CALLED
BRIBES.

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[] TOLD [] THAT HE WAS CONVINCED THAT THIS INVESTIGATION
WAS THOROUGH AND COMPLETE, AND THAT THE BRIBERY MATTER WAS COVERED
DURING THIS INVESTIGATION.

LEADS:

SAN FRANCISCO: WILL CONTACT ATTORNEY [] TO

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DETERMINE IF ALLEGATIONS MADE BY WERE INVESTIGATED BY HIS
COMMITTEE AND THE RESULTS OF THAT INVESTIGATION. WILL ASCERTAIN
WHEN THE ALLEGED BRIBES TOOK PLACE TO SEE IF THE STATUTE OF
LIMITATIONS HAS RUN.

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BT

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FM SAN FRANCISCO (58A-865) (RUC)

TO ALEXANDRIA (58A-264)

SETTLE (58A-315) (ROUTINE)

BT

U N C L A S

THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; MELVYN ROBERT
PALSLEY, ASSISTANT SECRETARY OF THE NAVY; HERBERT A. REYNOLDS, OFFICE
OF THE SECRETARY OF DEFENSE; LAWRENCE H. CRANDON, NORTH ATLANTIC
TREATY ORGANIZATION; HAROLD KITSON, JR., DEPUTY ASSISTANT SECRETARY
OF THE NAVY; COI - DOD (OO: AX)

RE: ALEXANDRIA TELETYPE TO SEATTLE DATED MAY 23, 1984.

ON MAY 25, 1984, [REDACTED], ATTORNEY FOR THE
"PRESTIGIOUS" LAW FIRM OF PILLSBURY, MADISON AND SUTRO, 225 BUSH
STREET, SAN FRANCISCO, CALIFORNIA, TELEPHONE (415) 983-1165,
TELEPHONICALLY RETURNED A FBI CALL PLACED TO HIS PLACE OF BUSINESS
AND PROVIDED THE FOLLOWING INFORMATION:

[REDACTED] ADVISED THAT IN 1978 HE HAD BEEN RETAINED BY CERTAIN

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[REDACTED]	

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MEMBERS OF THE BOARD OF DIRECTORS OF BOEING AIRCRAFT CORPORATION TO FORM AN INDEPENDENT COUNCIL TO VERIFY CERTAIN INFORMATION THAT BOEING HAD REPORTED TO THE SECURITIES AND EXCHANGE COMMISSION (SEC). THIS WAS IN COMPLIANCE WITH A CERTAIN CONSENT DECREE THAT THE SEC HAD SECURED AGAINST BOEING. IN FEBRUARY, 1979, [REDACTED] FILED A FULL WRITTEN REPORT WITH A "FORM 8K" WITH THE SEC. THE REPORT IS A MATTER OF PUBLIC RECORD AND CAN BE LOCATED IN BOEING'S FILE AT THE SEC. IN GENERAL TERMS THE REPORT CONCLUDED THAT THERE WAS NO WRONGDOING OTHER THAN A FEW IMPROPER RECORD KEEPING PROCEDURES THAT HAD BEEN UTILIZED. THIS WAS OF AN ADMINISTRATIVE NATURE. IT WAS REPORTED THAT CORRECTIVE ADMINISTRATIVE PROCEDURES HAD BEEN ADOPTED. THE MATTERS OF INTEREST OCCURRED IN THE PERIOD 1976 THROUGH 1978.

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[REDACTED] ADVISED THAT IN 1979, THE UNITED STATES DEPARTMENT OF JUSTICE (USDOJ) DECIDED TO INVESTIGATE THIS MATTER THROUGH A CRIMINAL PROCESS. [REDACTED] REPORTED THAT A FEDERAL GRAND JURY IN WASHINGTON, D.C., HAD BEEN UTILIZED IN THIS INVESTIGATION. THE USDOJ WAS INVESTIGATING FRAUD BY WIRE AND RICO VIOLATIONS.

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[REDACTED] STATED THAT HE WAS AGAIN RETAINED BY BOEING TO ASSIST BOEING'S CHIEF COUNSEL [REDACTED] IN THE DEFENSE. [REDACTED] STATED

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THAT HE WAS OBLIGATED TO DECLINE TO DISCUSS THE SECOND CRIMINAL MATTER BECAUSE OF ATTORNEY-CLIENT PRIVELEGE. HE NOTED THAT THE DISPOSITION OF THE CRIMINAL MATTER WOULD BE A MATTER OF PUBLIC RECORD SINCE THERE WAS A JUSTICE DEPARTMENT PROFFER, A CONSENT DECREE AND A FINE.

IN ABSENCE OF ANY SPECIFIC LEADS OUTSTANDING IN SAN FRANCISCO, THIS CASE, IS BEING PLACED IN RUC STATUS. SAN FRANCISCO IS LEAVING LEADS TO REVIEW SEC AND DOJ RECORDS TO THE DISCRETION OF OO UNLESS REQUESTED BY OO, NO FD-302 RE CONTACT WITH WILL BE PREPARED.

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Memorandum



To : SAC, SEATTLE (58A-315) (P)

Date 6/1/84

From : SA [redacted]

Subject : THOMAS K. JONES,
ET AL;
COI - DOD
OO: SEATTLE

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On May 25, 1984, [redacted] (protect by request)
furnished the following information, concerning captioned case:

[redacted] Washington,
work telephone number [redacted] home
telephone number [redacted] was contacted by [redacted] and [redacted] stated
that [redacted] knows a lot about people at Boeing, who may be familiar
with MELVIN PAISLEY. [redacted] stated that [redacted] is willing to talk
to the FBI.

[redacted] furnished some additional information, concerning
other people who are, perhaps, in a position to furnish information
concerning captioned matter. These people are listed below:

1, 2, 3

[redacted]

[redacted]

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[redacted] address, telephone number [redacted]

In addition, [redacted] furnished the following lists, which
he divided into three categories: the first list of people who may
something but are probably pro-Boeing and pro-Paisley and would not
furnish any information to the Seattle Office of the FBI; the second
list are people who may know something about this matter and may talk to
the FBI; and the third list are people who probably know something
about this matter and might talk to the FBI.

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The first list is as follows:

1. [redacted], Office Number [redacted]
(Wiretapped at Patrick AFB for Paisley)
2. [redacted], currently living in [redacted] Oregon
(Former [redacted] with Paisley, [redacted])
3. [redacted]
[redacted] Michigan (Former [redacted])
4. [redacted] Office Number [redacted] Home Number [redacted]
[redacted] has enough information to
convict him; however, will definitely talk to any
authorities)

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The second list is as follows:

1. [redacted] aka [redacted] former [redacted]
International Sales, Office number 237-2143, Home
Number [redacted]
2. [redacted] (former [redacted]
Middle East Sales)
3. [redacted] Washington (former European Sales)
4. [redacted] Used Airplane Sales,
Office Number 237-5020, Home Number [redacted]
[redacted] (pro-Boeing; however, does not like Paisley)
(Big Payoff Man)
5. [redacted] Office Number [redacted]
Home Number [redacted] (Ran with Paisley for years, just
might talk; could convict)
6. [redacted] Retired [redacted] Boeing
Aircraft Corporation; no further investigation

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The third list is as follows:

1. [redacted], has worked for the Pentagon and Boeing Star Wars Program
2. [redacted] Washington, Office Number [redacted] and Home Number [redacted] [redacted] - [redacted] - see above)
3. [redacted] Washington, Office Number [redacted] and Home Number [redacted] b6 b7C
4. [redacted] (family home), Telephone Number [redacted]
[redacted] (maybe), [redacted] California, Telephone Number [redacted]
5. [redacted] California, Home Telephone Number [redacted]
[redacted]
6. [redacted] California (Boeing Office), Office Number [redacted] (Friends with [redacted] will talk)
7. [redacted] Office Number [redacted] and Home Number [redacted] [redacted] PAISLEY) b6 b7C
8. [redacted] Telephone Number [redacted] [redacted] Boeing Landon Office)
9. [redacted] Telephone Number [redacted] [redacted] Boeing, Washington D.C. Office)
10. [redacted] Washington, Home Number [redacted] [redacted] told him about Patrick AFB wiretapping, when he, [redacted] was in Washington, D.C. office).